The NIS Sustainable Development Report has been prepared in compliance with the international guidelines of the Global Reporting Initiative for the 4th consecutive year. This year, the Report has been prepared in line with the GRI’s 3.1. Oil and Gas Sector Supplement and presents NIS activities in the area of corporate social responsibility.

The 2013 Sustainable Development Report has received a B+ rating and includes 48 indicators in accordance with the GRI’s 3.1. Oil and Gas Sector Supplement, thus reflecting the significant progress made in comparison to 2012.

The independent auditing company APMG d.o.o. from Belgrade, Serbia, assessed the Report’s compliance with the guidelines of the GRI’s 3.1. Oil and Gas Sector Supplement, and verified the accuracy of information contained in the Report.
Sustainable development is the core element of NIS business operations despite the challenges we encountered last year and in the first half of this year. We can achieve successful business results in a responsible way only by building and developing good long-term relations with the local community and local partners, with good environment and safety management in all business processes. Sustainable environmental management in NIS includes implementation of environmental projects for the reduction of pollutant emissions into the air, water and soil, waste management, energy efficiency increase, and introduction of cutting-edge technologies. Investments into environmental projects over the last five years amounted to more than 115 million USD. The results for the same period were more than obvious: sulfur-oxide emission five times lower, nitrogen oxide emission three times lower, and powder emission rate up to seven times lower. Ongoing projects will further contribute to the reduction of air pollutant emissions.

Energy balance
As a vertically integrated energy company operating internationally, NIS faces big challenges. Global resources are limited, but energy demand shows constant growth. Owing to the experience of majority shareholder Gazprom Neft and support of the Government of Serbia, as the other shareholder, we in NIS actively develop innovative solutions which contribute to a cleaner and healthier environment and increase at the same time internal efficiency in the area of energy saving. We have put into operation four cogeneration modules for conversion of gas into heat and electrical energy, and we plan to put into operation seven more, with total capacity of 8.3 MW, by the end of the year. Energy produced this way is used for the operation of our wells. A cogeneration electrical power plant in Novi Sad Refinery with 8 MW capacity is planned for this year.

Furthermore, we intend to produce our own electricity and the first step is signing a memorandum with Gazprom Energholding for the construction of CHP Pancevo with the capacity of about 200 MW.

New energy – young personnel
We improve our business operations taking care of the interests of the communities where we operate. In 2013, we continued our work on the preparation of young personnel and development of talents who are yet to come to our Company. We have ongoing cooperation with universities for the education of a new generation of specialists. Our Company employs close to 700 young specialists for whom work in NIS is their first job experience. This way we get new energy and ideas which have refreshed and invigorated the Company, while these young people are offered a chance to work in a stimulating environment and change things for the better. NIS took part in the preparation of specialized programs aimed at increasing qualification levels of our employees.

Closer partnership with regions
At the same time, we continued to provide support to local communities by financing projects selected by the citizens for their priority in their communities. More than 164 ideas selected within our program of “Cooperation for Development – Energy and Services” will come into life this year, while more than 450 projects were already implemented in the previous five years. Owing to such practice we have contributed to the environmental education and awareness among the local population and involved the young, as well as special vulnerable groups, into sports activities.

We encourage and promote healthy living, and improve and contribute to the activities of cultural, educational and sports institutions and their programs. In this way, by establishing and strengthening connections with the local communities in which we operate, we build long-term relations creating a favourable environment for efficient work.

Aim – efficiency and fast growth
Having set an ambition to become the fastest growing energy company in this part of Europe and a regional leader, our investments in the last five years amounted to more than two billion Euro. This and next year we will maintain the level of investment activity. We invest in exploration and production, services, as well as remapping of refining facilities by applying innovative solutions. One of our key targets this year is to maintain profitability which is why we are focused on efficiency enhancement in all business processes. In the area of exploration and production, we will try to maintain the trend of increasing the volume of oil and gas reserves. The main task of our colleagues in refining is to make the utmost of the revamped refining capacities in Pancevo in the first place by increasing the production volume of products with a higher margin. We want to increase retail sales through both retail networks – NIS Petrol and GAZPROM, and to increase wholesale sales, increase our share in the local markets, and the markets of Bosnia and Herzegovina, Bulgaria and Romania. We continue our efforts on increasing energy efficiency and reducing production costs, first of all, through fast development of the ‘young’ blocks – Energy and Services.

P5. This year is extremely difficult for Serbia, and for us, as well, as an inseparable part of its economy. After natural disasters like the one that hit Serbia this May even much bigger and stronger economies experience a slow recovery. Additional costs of our Company related to these events are assessed at about five billion RSD. However, every downside has its upside. I am especially proud of all our colleagues for their incredible devotion during the disastrous floods. Owing to their quick response and joint efforts we collected donations in fuel, drinking water, necessary equipment, food, hygiene supplies and contributions in money at unusal amount which is the most needed. Every crisis brings new solutions and strengthens the will. For that reason I believe that this year will be remembered by investments sprouting up like mushrooms after the rain, rather than by unprecedented rainfall.
Rules and principles set out in the methodology of the GRI guidelines were used as the basis for the preparation of this Report:

Materiality

The Report covers topics which can have an essential impact on the assessment and decisions taken by management bodies and stakeholders. Results of research conducted in the form of interviews with all stakeholders were used as the basis for the preparation of the materiality matrix. In addition, topics dealt with in sustainability reports of other international oil and gas companies were used, as well as topics which are important for stakeholders and which are recommended in the GRI guidelines.

Stakeholder Inclusiveness

All stakeholders are included in the Report, and communication with them is described in Chapter “Dialogue with Stakeholders” on page 23 in this Report.

Sustainability Context

The Report presents data and describes activities on the level of the Republic of Serbia.
Plans reflecting the Company’s commitment to sustainable development are given at the end of each chapter.

Completeness

Data given in the Report relate to 2013 and, wherever possible, comparative data for the previous year is shown. Financial and economic indicators are taken from the Consolidated Financial Statements (source: Annual Report 2013, NIS).

Balance

Information contained in the Report for 2013 reflects the results and achievements of the Company, as well as the difficulties encountered by NIS during the year. Impartial presentation of information provides an opportunity for giving both positive and negative assessments.

Comparability

The Report on Sustainable Development is made in accordance with the reporting framework given in GRI Guidelines, which enables comparison with last year’s NIS reports on sustainability, and with the reports of other local and foreign companies.

Accuracy

NIS endeavours to present qualitative and quantitative data with the highest possible accuracy in its reports. The Report indicates data sources and collection methods used, while financial and economic data is available in the Annual Report of NIS for 2013.

Timeliness

The Report on Sustainable Development is published annually and gives the stakeholders an opportunity of timely decision making regarding the Company and its business operations.

Clarity

The wording of the Report on Sustainable Development is adjusted to all stakeholders, it is written in a clear and comprehensible manner. The specific nature of business activity makes it difficult to achieve full clarity of wording, especially in the part related to environmental protection. Terms and abbreviations which may be ambiguous are explained in the Glossary.

Reliability

Assessment of compliance of the Report with the GRI guidelines, as well as the accuracy of the provided information was verified by an independent auditor, KPMG Belgrade, Serbia.

Vision of Sustainable Development

Sustainable development is one of the priority directions of the activities of our Company. The main idea of the principle is business transparency, partnership confidence, investment in safety, health and development of employees, responsible approach to environmental protection, investing in community, its needs and values.

As a modern company whose activities require special and constant attention in order to ensure a healthy and safe environment, NIS develops consistent and clear procedures and standards, application of new clean technologies and a partnership relationship with its stakeholders.

Special attention is given to monitoring of global trends, among other things, in the segment of sustainable development and announced changes regarding the application of the 4th generation of Guidelines (GRI G4). In this relation, NIS made a decision in 2013 to prepare the Guidelines for harmonization with the requirements of GRI G4 and took the necessary measures to define a materiality matrix, specifically:

- Research of topics of particular interest to companies in the oil and gas industry (research of GRI standards, research of leading companies in oil and gas industry, press research)
- Discussions with representatives of all organizational units in the Company about improvement and development of suggested topics
- Discussions with stakeholders (employees, financial institutions, state authorities and state agencies, buyers, suppliers, representatives of local communities, non-governmental organizations)

The result was a materiality matrix presented in this Report on page 7.
COMPANY PROFILE

Towards development
Running business with "the best of the best" results

The largest contributor to the state budget
The largest retail network in Serbia

Business operations development in 10 countries

Trust, partnership and open dialogue with all stakeholders

Reaching European standards in energy, oil and gas industry and ecology

Faster application of European standards, new technologies and reaching the top position in the region

NIS
GAZPROM NEFT
The NIS Group is one of the biggest vertically integrated energy companies in South East Europe. Its business activities include exploration, production, refining and sales of oil and natural gas, oil products and natural gas products.

The head office of the Group is in Novi Sad, and its main production capacities are located all over the Republic of Serbia, which is, owing to its geographical position, the centre of trade and investments in the Balkans. As of 31 December 2013, the NIS Group owns in the Republic of Serbia: two refineries in Pancevo and Novi Sad, 355 retail facilities in operation (328 petrol stations, 4 LPG truck loading and unloading facilities, three LPG cylinder shops), four active oil product storage facilities (Novi Sad, Smederevo, Belgrade, Nis), five active LPG storage facilities (Novi Sad, Belgrade, Zrenjanin, Cacak and Nis) and two active oil product depots (Cacak and Jakovo).

In accordance with the long term Strategy providing for the expansion of business outside Serbia, the main NIS Group company started activities in that direction in 2011. It founded subsidiaries in Bosnia and Herzegovina, Bulgaria, Hungary and Romania.

In Bulgaria, the number of petrol stations currently in operation is 30 (8 under the GAZPROM brand and 12 in “the white brand”). Storage in Kostin Brod has been in operation since last April. In Romania, there are 14 petrol stations in operation under the GAZPROM brand. In B&H, the number of petrol stations in operation is 36, 8 petrol stations under the NIS brand and 28 under the GAZPROM brand (OMV network of 28 petrol stations was bought and rebranded from OMV into GAZPROM brand in the period June-July).

In support of the EU integration process of Serbia a representative office was opened in Brussels. Representative offices of NIS operate in Russia, Turkmenistan, Angola, Bulgaria, Hungary, Bosnia and Herzegovina, and Croatia.

Today, NIS is one of the most successful companies in Serbia and the largest contributor to the state budget.
MISSION

By using natural resources and modern technologies responsibly we provide the people of the Balkan region with energy for moving forward

VISION

NIS will become a recognized leader among energy companies in the Balkan region by demonstrating a high level of social and environmental responsibility, providing its clients with modern services
FIVE YEARS OF QUALITY

NIS has been a member of the Gazprom Neft Group for five years now. The quality of its business operations has changed fundamentally over that period of time. Today, NIS is a reliable source of income for its shareholders, it is attractive to the investment community, it provides customers in the Balkans with quality oil products and services in accordance with European standards through two petrol station networks. The Company is implementing a big investment programme, thus becoming a leader in terms of the pace of introduction of business innovations in the region.

### 2009
- Gazprom Neft becomes a majority shareholder
- The production complex revamp and upgrading begins in September

### 2010
- Citizens of the Republic of Serbia, both current and former employees of NIS j.s.c Novi Sad become shareholders of NIS j.s.c Novi Sad
- Construction of Mild Hydrocracking /Hydrotreating Complex starts in Pancevo Refinery, marking the beginning of revamp and upgrading of the oil refining complex
- NIS j.s.c. Novi Sad becomes an open joint stock company and is listed on the Belgrade stock exchange

### 2011
- Long-term development strategy up to 2020 is adopted
- NIS starts its expansion in the region: cooperation with East West Petroleum, Corp, TXM Oil&Gas Exploration Kft – subsidiary of the Canadian company Falcon Oil&Gas Ltd. RAG Hungary Kft, Budapest (RAG)
- Subsidiaries set up in Republic of Srpska, Romania, Hungary and Bulgaria

### 2012
- The year of new technologies in all areas of business operations
- The first phase of revamping Pancevo Refinery is completed, and the production of Euro 5 fuel starts
- A year of regional expansion

### 2013
- Payment of dividends for 2012 in the amount of RSD 12.4 mil., which is the highest amount of dividends in the history of the Belgrade Stock Exchange
- Transformation of NIS into an energy company starts
- Production of Euro BMB-98 in Pancevo Refinery – a new product of refining in accordance with the Euro 5 standard
NIS is fully committed to the observance of the principle of equality and equal treatment of all shareholders.

The Code of Business Ethics sets ethical norms in all spheres of business operations and establishes the fundamental rules and norms of behaviour which regulate relations with colleagues, clients, business partners, government and local self-government authorities, the wider public and competitors.

The principles of the Code give clear guidelines for ethically balanced decision-making in different situations, and the Code defines the norms and rules of behaviour founded on corporate values whose observance is expected by the Company from every employee.

The Code of Business Ethics is available on the NIS webpage.¹


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The central role in managing NIS belongs to the Board of Directors which is collectively responsible for the long-term success of the Company and whose competences include setting business goals and the direction of future development, as well as the establishment of NIS business strategy and monitoring of the results of its implementation.

The Board of Directors consists of 11 members, 10 men and one woman.

The Board of Directors consists of executive and non-executive directors, one executive and 10 non-executive members, where two non-executive directors are at the same time independent members of the Board of Directors.

Six out of eleven members of the Board of Directors are citizens of Russia, three are citizens of Serbia, one director is a citizen of France, and one is a citizen of Austria.

The members of the Board of Directors possess an adequate combination of necessary knowledge and skills required for the kind and scope of activities of NIS.
Awards and recognitions

- Award “Corporate Super brands” Serbia, first place in the area of Energy
- Award “Oscar for Quality” – NIS Absolute Quality Champion 2005 – presented by the Fund for quality culture and excellence in cooperation with the Serbian Chamber of Commerce and under the auspices of the Ministry of Economy and Regional Development of the Republic of Serbia
- Award “EAST CAPITAL AWARD” in category “Discovery of the Year” – presented by Swedish “East Capital”
- “Best Buy Awards” customers’ award for NIS Petrol stations, for the best balance between price and quality – presented by ICCERTIAS INTERNATIONAL CERTIFICATION ASSOCIATION GMBH
- Award “The Best Brand in the Region” to Gazprom brand presented by the Department for the selection of the best manager in Bosnia and Herzegovina, South East and Central Europe
- The award for the best regional business project of the year to brand Gazprom Petrol Stations – presented by the Serbian Association of Managers
- VIRTUS the main award for the contribution on the national level – presented by the “Trace Foundation”
- Award “The Best from Serbia” for 2013 in the category of corporate brand, as well as the award in the category “The Best Foreign Brand Entry into the Serbian Market” for the Gazprom petrol stations network – presented by the Serbian Chamber of Commerce, Ministry of Foreign and Internal Trade and Telecommunications and economic daily newspaper “Dividendi Project”
- “Green Frog” award for a Report on Sustainable Development – presented by Deloitte Hungary
- Award “Investor of the Year” 2013 in Bulgaria for investment in Gazprom petrol station network – presented by Hermes Consulting and Media, Bulgaria
- The “Grand Recognition” for LPG and oil product business in Serbia – award presented by the International LPGSELS Conference
- Recognition “My Choice 2013” by Serbian Customers for the most favorable petrol station – NIS Petrol
- As regards investor relations, NIS has been the best for the third successive year according to the assessment of Belgrade Stock Exchange
- NIS is the winner of the Recognition awarded by the Tax Department for the largest contribution to the budget of the Republic of Serbia
- NIS is the winner of Recognition Award presented by Matica Srpska

Membership

NIS is a member of numerous associations and the Chamber of Commerce of Serbia, including some associations abroad, such as:
- The National Petroleum Committee of Serbia, as a national body of the World Petroleum Council (WPC) since 2011
- The Foreign Investor Council (FIC) since 2011
- GS1 Serbia (as part of the GS1 Association Brussels, a leading global organization for creating and application of supply chain identification standards and solutions) since 1998.
- The Chamber of Commerce of the Republic of Serbia
- Balkan and Black Sea Petroleum Association (BBSPA), Bulgaria from 2012.

NIS is a founder of the National Petroleum Committee of the Republic of Serbia as a national body of the World Petroleum Council, the biggest and oldest non-governmental oil and gas organization. The aim of this body is to improve the oil and gas business in the area of sustainable development. The National Oil Committee of Serbia was founded in 2011; the Chief Executive Officer of NIS is the vice chairman and a member of the Executive Board of this Committee.

Dialogue with Stakeholders

For NIS, it is of utmost importance to establish ongoing communication and relations in the spirit of trust, partnership and open dialogue with all stakeholders. NIS cooperates with them on the basis of ownership shares, through cooperation agreements or on the basis of some other common interest. The key groups NIS cooperates with are:
- employees
- shareholders
- trade unions
- investors
- state authorities
- customers
- local population in the region
- local authorities
- business partners – suppliers and buyers
- business partners – energy and oil and gas companies with whom NIS has joint investments
- social organizations
- media

NIS is committed to a permanent and efficient dialogue process with the state authorities, especially when it comes to achieving European standards in the sphere of energy, oil and gas industry and ecology. In
1) A draft energy law – aimed at aligning Serbian law with EU directives on energy, more detailed regulation of cogeneration – production of heat and electric power, more detailed regulation of matters regarding fuel marking, fuel quality control, etc.

2) A draft law on geological exploration and mining – aimed at regulating in greater detail procedures related to geological explorations and exploitation of mineral resources, provide a more precise definition of certain terms, matters regarding guarantees and compensations, etc.

3) A draft law on planning, design and construction - aimed at simplifying the procedure and shortening the time for obtaining construction permits, reconciling discrepancies between provisions of the law for the purpose of its better and more consistent application.

4) A draft law on amendments to the Expropriation Law – aimed at expanding the number of parties involved in expropriation, simplifying and speeding up the expropriation process, etc.

5) The Excise Duty Law – in order to impose excise duty on other oil products produced from oil fractions with distillation range above 380° C.

6) A draft Law on the Employment of foreigners - aimed at providing a more precise definition of certain terms, procedures and rights and obligations of employees and employers.

7) A draft Law on the Employment of Foreigners - aimed at simplifying the procedure and conditions for employment of foreigners; expanding the number of legal bases for employment of foreigners.

OFFICES FOR RELATIONS WITH MINORITY SHAREHOLDERS

NIS is committed to a permanent and efficient dialogue process with the state authorities, especially when it comes to reaching the European standards in the sphere of energy, oil and gas industry and ecology.

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The corporate website: www.nis.eu provides all latest information about the Company, its activities, products and services.
thus informing the investor public about all important aspects of its business. After the presentation of financial results and after an open and constructive dialogue between the representatives of NIS and the investor public, participants were informed about the plans of the Company regarding the construction of a modern base oil production centre in the Novi Sad Refinery.

The customer website of NIS Petrol retail network: www.nispetrol.eu provides information about products, services, actions and business activities of this retail brand.

NISOTEC website: www.nisotec.rs provides all manner of information about oils and lubricants and additional liquids.

NIS is also present in social networks: Facebook, YouTube, Twitter, Flickr, Instagram and Pinterest. This type of communication helps the Company to identify strengths and weaknesses based on consumers’ experience. First-hand information about consumers’ problems facilitates a prompt and appropriate response. Consumers can also communicate their needs by phone: 08-0000-8888, or e-mail addresses of: office@nis.eu, social networks and company website.

The corporate Intranet Portal is one of the most important communication channels with employees. It has proven to be an efficient and preferred way of internal communication. Apart from a lot of information about NIS business activities and service information, it presents organizational units of the Company and their activities. The forum, feedback (questions-answers) and topics posted on the Company Intranet Portal enable an open dialogue of all employees.

A corporate magazine “My NIS” is yet another internal communication channel. This monthly magazine is distributed in 6,000 copies and covers the latest topics on business operations of the Company through reports, interviews, field reports and stories, and in-depth analyses of topics of interests concerning Company business. Another corporate magazine “Energize”, in the English language, was launched in 2013: It is published quarterly and comprises the functions of a corporate and a business edition. Its target audience includes partners of the Company, representatives of state authorities, technical experts and media.

With a view to improving work efficiency and the system of providing employees with information the Company has developed an Information cascade programme, where the main role belongs to managers. In order to cascade information to all levels of employees, the Cascade Programme is divided into three sub-programmes:

1. Advisory Board’s extended meeting - a quarterly meeting of the CEO with first and second level managers.
2. Direct dialogue - a meeting between the CEO/first and second level managers and employees, where employees have an opportunity to discuss business and HR issues with management.
3. A monthly info-package – material covering current topics about the Company’s business, current events and news for employees. Every month managers on all levels receive an info-package by e-mail and are required to inform their subordinates through internal briefings about all current matters and news from the material they received.

Regardless of the time of a meeting with management, questions to management can be sent to the special e-mail address: pitanja.rukovodstvu@nis.eu, asked by telephone, or posted on the Portal. NIS seeks to further improve this system of direct communication. Communication with trade unions is of special importance. A constructive dialogue with trade unions in resolving important personnel issues is an inevitable element of NIS business activities.

Dialogue with media is very important for NIS and special attention is paid to it. The press-department of NIS provides answers to every question addressed to it by the media. This department also organizes press conferences, press tours and interviews. An important part of their work is organization of educational seminars in the energy and oil and gas area. In their contacts with the representatives of this department journalists have an opportunity to give their suggestions for further improvement of cooperation.
Net Profit

6% higher than last year
Investments in equipment modernization, innovative approaches and the implementation of state-of-the-art technologies

9% higher than last year
Public revenue liabilities paid by NIS

32% higher than last year

Customers Say: Superior
High-quality, high-octane fuel judged as superior by our customers

Others Say: The Best
The third consecutive Belgrade Stock Exchange Award or the Best Relations with Investors
NIS shares – the most attractive shares on the Belgrade Stock Exchange

25% of net profit distributed through dividends
The most significant negative trend in the Republic of Serbia in 2013 was an increase in public debt, which comprised slightly over 60% of the Serbian GDP at the end of the year. Also, the unemployment rate is still very high. According to the 2013 International Monetary Fund data, the said rate was 21%. The total consumption of oil derivatives is almost on the 2012 level, when it faced a significant plunge, whereas the oil price keeps sliding down, as well. All these negative impacts have effects on the standard of the people, impacting, thus, the scope of consumption, as well.

In order to maintain its profitability in this quite inopportune business environment, the NIS Group has kept working on the increase in the efficiency of its business processes and the augmentation of the scope of oil refining and oil and oil derivatives sales. This resulted in consolidated net profits in the amount of RSD 48.3 bln, which was an increase of 6% in comparison with the previous year, when they amounted to RSD 46.5 bln.

The successful operation of NIS in 2013 is corroborated by the fact that the EBITDA indicator (earnings before interest, taxes, depreciation and amortization) has been increased and now amounts to RSD 68.8 bln, which is a 5% increase in comparison to previous year.

Complex economic trends in Europe, which continued throughout the previous year, have inevitably left their mark on living and working conditions in Serbia and its surroundings; therefore, one can safely say that, in 2013, the Company operated in difficult circumstances, i.e. under the strong influence of negative external factors.

### Table: Directly Generated and Distributed Economic Value, in RSD mil.

<table>
<thead>
<tr>
<th>Position</th>
<th>2012</th>
<th>2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Directly Generated Value</td>
<td>229,523</td>
<td>264,532</td>
</tr>
<tr>
<td>Income</td>
<td>229,523</td>
<td>264,532</td>
</tr>
<tr>
<td>Distributed Economic Value</td>
<td>165,331</td>
<td>207,256</td>
</tr>
<tr>
<td>Operating Costs</td>
<td>134,606</td>
<td>172,225</td>
</tr>
<tr>
<td>Salaries and Other Remunerations</td>
<td>24,923</td>
<td>23,615</td>
</tr>
<tr>
<td>Interests Paid on Loans Received</td>
<td>1,728</td>
<td>3,388</td>
</tr>
<tr>
<td>Taxes</td>
<td>3,911</td>
<td>7,851</td>
</tr>
<tr>
<td>Investments in the Community</td>
<td>163</td>
<td>180</td>
</tr>
<tr>
<td>Increase in the Economic Value of the Company</td>
<td>64,192</td>
<td>57,277</td>
</tr>
</tbody>
</table>

### Table: Net Profit, RSD bln and EBITDA, RSD bln

<table>
<thead>
<tr>
<th>Year</th>
<th>Net Profit, RSD bln</th>
<th>6%</th>
<th>EBITDA, RSD bln</th>
<th>5%</th>
</tr>
</thead>
<tbody>
<tr>
<td>2013</td>
<td>48.3</td>
<td></td>
<td>68.8</td>
<td></td>
</tr>
<tr>
<td>2012</td>
<td>45.5</td>
<td></td>
<td>65.6</td>
<td></td>
</tr>
</tbody>
</table>

### Dividends

The dividend policy specifies that the NIS long-term policy of dividend disbursement requires the company to pay out dividends in the total amount of at least 15% of net profits. When preparing a proposal of the Decision on profit sharing and dividend disbursement, Company management considers several factors, including the financial situation, investment plans, loan repayment liabilities, macroeconomic environment and legal regulations. The Decision on profit sharing and dividend disbursement is made by the Shareholders’ Assembly at their annual meeting, whereas dividends are disbursed once a year in Serbian dinars (RSD).

At the regular annual NIS Shareholders’ meeting in June 2013, the Decision was made on 2012 profit sharing, dividend disbursement and total amount of retained earnings. This Decision specified that NIS Shareholders’ dividends would be disbursed in cash in the total gross amount of RSD 12,364,129,000 i.e. the gross amount of RSD 75.83 per share.
All Shareholders holding NIS shares on the date of the dividend disbursement (June 8, 2013) were entitled to receive their dividends according to the number of shares owned on the said date. In accordance with the decision of the General Manager, the full amount of dividends was disbursed on August 20, 2013.

**Exploration and Production**

The total production of oil and gas in 2013 was 1,642 thousand conditional tons, which was 2% more than in 2012:

- An increase in domestic oil production due to the application of additional geological and technical methods
- Gas production was 1% lower than in 2012 due to the compressor stations overhaul, as well as due to the elevated pressure in the gas pipeline

The commissioning of new wells ("Velebit" and "Kikinda Gornje") early last year resulted in an increase in oil recovery. One of the main features in 2013 was the record number of investments, which were mostly used for the implementation of new technologies. These included slim-hole drilling, as well as large-scale fracturing and horizontal drilling technologies. Deep drilling at high temperatures and pressures is also a new technology which was introduced. Activities involving hard-to-recover reserves and highly-viscous oils have been started. Apart from the activities in Serbia, there are seven projects at the implementation stage in surrounding countries.

**Refining**

In 2013, the scope of oil refining and intermediate product processing increased by 36% in comparison to the previous year, i.e. in 2013, refining and processing of oil and intermediate products amounted to 3,066 thousand tons, whereas in 2012 refining and processing activities involved 2,254 thousand tons of oil, which caused:

- An increase in the scope of crude oil refining
- In 2013, there were no major overhauls, only commercial interruptions or interruptions due to the implementation of investment projects
- Oil refining and intermediate product processing was in accordance with operating plans, which were created in response to market demands

Due to the change in methodology, gasoline and LNG were included in domestic oil production, whereas commodity production is applied in the area of gas production.

Some of the most important features in 2013 include:

- The operation of the MHC/DHT facility in 2013 brought about positive changes not only in the scope of refining and processing, but in the derivative structure, as well
- Some of the most important features in 2013 include: optimization of the MHC/DHT facility at Pancevo Oil Refinery, the beginning of production of BMB 98 gasoline, a new type of European-class motor fuel with higher octane value and the blending of biodiesel, as
well as the reduction of technological losses in the refining processes, an increase in the scope of refined oils, as well as an increase in the share of “white” derivatives in total products.

The main projects include: DC 2301 reactor reconstruction, the procurement of equipment for the mobile oil mud treatment plant, the reconstruction and modernization of the vehicle filling station and the pier of the Pancevo Oil Refinery on the Danube, and the implementation of AspenTech ORION XT software applications, etc.

### Sale and Distribution

A 29% increase in total sales and distribution of oil derivatives in comparison to 2012:
1) Retail – a 13% sale increase;
   - An increase in the sale of European-class oil derivatives
2) Sale and distribution of foreign assets – increase by a factor of 21
3) Wholesale – a 19% increase:
   - Increase in diesel sales due to an increase in the sale of locally produced Euro diesel
   - A reduction in the masute production due to hot weather
   - A reduction in gasoline sales due to plummeting consumption in the Republic of Serbia with no-alternative deliveries during the transition to Euro gasoline
4) Export – an 84% growth:
   - An increase in the sale of masute and gasoline components
5) An increase in the share of “white” derivatives

An increase in the scope of sale and distribution has resulted from an improvement in the quality of the produced oil derivatives and the introduction of new fuels in the Company product line. Also, in 2013, NIS paid special attention to the increase of customer loyalty and to professional training of employees, by opening two modern training centres in Belgrade and Novi Sad.

The increase in sale and distribution was definitely helped out by the expansion of the gas station network in Bosnia and Herzegovina, Romania and Bulgaria. At the end of 2013, NIS had 80 active gas stations in these countries. Active gas station rebranding in the country contributed to the increase in retail sales in Serbia; wholesale and export experienced an increase, as well. The export product range was expanded by the introduction of Euro diesel blended with biodiesel produced in the Pancevo Oil Refinery.

### Energy

For NIS, 2013 was the year when various projects were started and operating efficiency was enhanced.

- The beginning of the «Plandiste» wind park construction project – this is the first wind park in Serbia
- The beginning of implementation of the program of more efficient use of gas resources through small-scale co-generation
- Reducing dependency on «Srbijagas» by reducing natural gas deliveries
- Gazprom Energoholding and NIS signed the Memorandum on the Construction of Pancevo-Based Steam-Gas Thermal Power Plant

A significant scope of works has been completed in the area of increasing NIS energy efficiency, whereas special attention should be paid to the fact that the Company is certified according to the international energy management ISO 50001 standard.

### Suppliers

The basis for the maintenance of competitiveness of NIS on the market is its successful cooperation with suppliers. Geographically speaking, suppliers are classified as:

- Local – suppliers from the Republic of Serbia
- Regional – suppliers from South-East Europe
- Global – worldwide suppliers

Procurement processes include timely provision of materials and services necessary for the execution of production and business processes in the Company. General principles adhered to in the procurement processes are:

- The principle of process cost effectiveness and efficiency
- The principle of ensuring competitiveness and equality among bidders

These principles and business logic are coupled with the standardization of business processes through the adoption of various normative and methodological documents: rulebooks, policies, standards and instructions. NIS gives priority to the competitive selection of suppliers or contractors through competition. In case there is an operating need to apply a non-competitive selection process, this need must be explained and corroborated by the investor or the business user.

### Total Procurements in 2013

<table>
<thead>
<tr>
<th>Participation of Local and International Suppliers in the Total Scope of Procurements in 2013</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Suppliers</td>
<td>32.50%</td>
</tr>
<tr>
<td>International Suppliers</td>
<td>67.50%</td>
</tr>
<tr>
<td>Total Procurements in 2013</td>
<td>100.00%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Participation of Local and International Suppliers in the Total Scope of Procurements in 2013 (without GNP)</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Local Suppliers</td>
<td>68.28%</td>
</tr>
<tr>
<td>International Suppliers (without GNP)</td>
<td>31.72%</td>
</tr>
<tr>
<td>Total Procurements in 2013 (without GNP)</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
The competitive selection method is based on the analysis of alternative market offers and the selection of the supplier who submits the offer which is both technically acceptable and optimal in terms of price, delivery/completion date, warranty period, guarantees or additional advantages/benefits for NIS.

Buyers

One of the NIS priorities is raising buyer satisfaction to the highest level possible.

In order to achieve this, in March 2013, a survey of the perception and position of the NIS Petrol brand was undertaken, and the results of that survey would be the basis for the strategy of development of the NIS brand till 2020. Survey results have shown that the NIS brand is regarded as much better than the competition, as strong and successful, the market leader and that buyers have a high degree of confidence in the quality of our products and services. Apart from the fact that our brand recognition is by far the highest, NIS Petrol can also boast of the greatest buyer loyalty.

In June 2013, a survey of user satisfaction with products from the NISOTEC range was undertaken. The results of this survey have shown that both the end users and the distributors of oils and technical liquids are completely satisfied with the quality of cooperation with NIS, and they usually emphasize the high quality of products and absolutely adequate variety and completeness of the product range.

We still maintain the institution of the undercover buyer as one of the mechanisms for monitoring and assessing the quality of work on our retail premises. These inspections take place at our gas stations using the visual method (assessing the cleanliness and the completeness of the product range) and control fuel purchases at any time of day or night (assessing the provided service). The goal of these surveys is the improvement of gas station operation, which results in higher buyer satisfaction.

NIS takes special care of its clients, this is always at the top of our list of priorities – we perform regular inspections and necessary controls of products and services at all our gas stations.

NIS continuously educates its employees in the implementation of anticorruption policy

Corporate Security

NIS pays special attention to its activities aimed at the prevention of any form of illicit and deleterious actions, which have or might have adverse consequences on Company operations and its rating on the Serbian market and beyond. The Company has introduced several standards, whose aim, apart from everything else, is to neutralize all possibilities of corruptive behaviour within or towards the Company and its employees.

Corruption-related risks are continuously analyzed, both on the level of the entire Company, and on the level of its business processes. In 2013, the Company performed an analysis of corruption-related risks involving all owners of business processes in NIS (16 business processes, i.e. 100%), as well as 73.3% of business units. Due to the specificities of operation and a great number of business partners, those organizational units cooperating with business partners (suppliers, buyers, contractors) are exposed to highest risk levels. Several individual cases with elements of corruption were analyzed, especially in procurement units. Analysis has shown that, in case of several legal entities – buyers, NIS entered into agreements with high credit limits, which did not correspond to the scope of operation of such entities, resulting in an
rupt and/or unlawful actions and practices. The above occurred through preventive and individual actions against corrupt practices in NIS and raising awareness of employees to a higher level, a decision on the adoption of the Anti-Corruption Annex was made, with the purpose of the Annex being to maintain employees’ protection and an advantageous business environment for which they are competent, and control the harmonization of all harmonized documents were corrected and adjusted through direct contact. The NIS Business Ethics Code, which specially focuses on the promotion of anti-corruption policies in the Company, and the operation of the so-called SOX line (Phone: 021/481 5005; e-mail: sosilina@nis.eur) provided an option for employees to react in case of non-observance of established rules. During 2013, a total number of reports were filed on cases of breaching the Business Ethics Code in the Company. Apart from that, a special phone line and e-mail address were introduced for reporting cases of corruption and taking of bribes, which involved owners of agricultural farms and employees at certain gas stations. Apart from that, due to corruption/related offenses, agreements with nine legal entities were not renewed. The usual cases include abuse of business contacts with NIS employees to enter into business agreements with the Company, using falsified documentation to charge the Company for services which have not been provided. These legal entities were included in the List of Unreliable Suppliers and Buyers, which means that, in case of some future application for the establishment of a business relation with the Company, these legal entities cannot qualify due to the economic safety criterion.

With a view to preventing adverse effects of corruption practices in NIS and raising awareness of employees in the area of implementing anti-corruption policies and procedures in the Company. During the year, the Company performed controls, provided instructions, as well as direct and individual trainings of employees in 133 retail outlets, whereas, during the harmonization of contractual documents, about 30% of all harmonized documents were corrected and adjusted through direct contact.

The most important investments in the area of oil and gas production in 2013 were:
- Investments in concession rights (Hungary, Romania)
- Geological exploration in Vojvodina
- 3D seismic survey in Serbia
- Development drilling
- Separation of CO2 from natural gas
- Projects related to the undertaking of geological-technical measures

![The public revenue liabilities of NIS subsidiaries in the region amounted to more than RSD 2 bln. in 2013 (2012: RSD 0.9 bln).](image)

**Investments**

**Investment Projects**

At the Board of Directors Meeting held on Nov. 27, 2012, the NIS a.d. Business Plan for 2013 was adopted, as well as the Medium-Term Investment Program (hereinafter referred to as the MIP), which presented the CAPEX investment plan for the 2013 – 2015 period. According to the Medium-Term Investment Plan, main investments in 2013 were directed to the implementation of the following project groups: environmental protection projects, refinery projects, as well as projects in the area of sales and distribution, oil and gas production, and a number of projects implemented by professional services. In 2013, RSD 55.6 bln was allotted for investment financing, which was 9% more than in the same period in 2012.
The most important capital investments in 2013 related to environmental protection were made in Pancevo Oil Refinery through the following projects:

- Mobile unit for the treatment of oil sludge, oil sediment and oil-contaminated soil.
- Reduction of NOx emission in flue gases from the power plant.
- The closed draining system construction project.
- The reconstruction of the Vehicle Loading Facility.
- The reconstruction and modernization of the Pier.
- Blending diesel fuel with biodiesel.

55.6 billion RSD allotted for investments

<table>
<thead>
<tr>
<th>Segment</th>
<th>Exploration and Production</th>
<th>Refining</th>
<th>Sales and Distribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main Objectives</td>
<td>Increase in the oil and gas production</td>
<td>Increase in reserves</td>
<td>- Development of the retail network</td>
</tr>
<tr>
<td>Highest Investment</td>
<td>Geological explorations in Vojvodina</td>
<td>3D seismic surveys in Serbia</td>
<td>- Construction of the MHC/DHT facility and the hydrogen facility</td>
</tr>
<tr>
<td></td>
<td>Investments in concession rights</td>
<td>Enlarging new and additional development wells</td>
<td>- Industrial base oil production</td>
</tr>
<tr>
<td></td>
<td>Geological and technical measures</td>
<td>Projects of building development infrastructure and support to the basic production</td>
<td>- Reconstruction of the oil transport tank in Novi Sad Oil Refinery</td>
</tr>
<tr>
<td></td>
<td>Projects of building development infrastructure and support to the basic production</td>
<td></td>
<td>- Mobile facility for the treatment of oil sludge, oil sediment and oil-contaminated soil</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>- Reducing NOx emissions in flue gases from the power plant</td>
</tr>
</tbody>
</table>

Regional Development

In 2011, regional expansion was initiated in two directions:

- Oil and gas exploration in Bosnia and Herzegovina, Hungary and Romania.
- Retail network development in Bosnia and Herzegovina, Romania and Bulgaria.

A significant advance was made towards the achievement of this strategic goal in 2012 and 2013. The gas station network was expanded, and today, apart from Serbia, it includes three more countries in the region: Bosnia and Herzegovina, Romania and Bulgaria. At the end of 2013, the retail network included about 400 active gas stations in Serbia and region.

In the area of oil and gas exploration, seismic surveys were initiated in three countries in the region: Bosnia and Herzegovina, Hungary and Romania.

HUNGARY

- Falcon, a Canadian company specialized in exploration and production.
- RAG, one of the major European gas storage operators, specialized in exploration and production in Austria, Germany, Hungary and Poland.

ROMANIA

- East West Petroleum, a Canadian company focused on conventional and non-conventional oil sources.
- Moesia Oil and Gas, an Irish company for the exploration and production focused on South-East Europe.
- Zeta Petroleum, a British oil and gas exploration company focused on Romania and East Europe.

BOSNIA AND HERZEGOVINA

- NIS is a part of a joint venture for the exploration and production with OAO «NeftegazInKor» called „Jadran-Naftagas“.
The strategic objective of NIS is to become the most efficient, fastest-growing energy company in the Balkans by 2020. The aim of the Company is to become the leader on the domestic market and to be one of the three largest energy companies in the SEE region.

Three Strategic Development Directions:

2011
Vertically integrated company in the Balkans

2013
Player expanding its operation in the Balkans market

2020
Leader in efficiency in the Balkans

Strategic Plans by 2020:

- Larger scope of oil and gas production
- Expansion of the resource base
- Increasing the scope of fuel refining and production according to European standards
- Completion of projects of using renewable and alternative sources of energy
- Expanding the sales network in the region
- Development of bunkering, oil storage units and aviation services
- Development of gas refining and gas distribution
- Increasing share of the Serbian and EU energy markets
- Intensive international project development
- Increasing internal efficiency
- Focus on innovations and complex energy development projects
- Resource usage ratio in accordance with best international practice
- Key player in the Pannonian basin
- Large assets portfolio outside Serbia
- The strongest scientific and technological base for the development of conventional and non-conventional resources
- Selling gas to the end user
- One of the five most efficient refineries in the SEE
- Less than 2% of heavy residuals
- Production of base and industrial oils
- Control of the raw-material delivery infrastructure
- Leader in Serbia and the surrounding countries in the quality of fuel and services
- A network of gas stations of the mass NIS Petrol and premium GAZPROM brand in Serbia and Europe. Leader on the domestic market in the scope of sales
- One of the three largest vertically integrated companies in the region in the retail business
- One of the regional leaders in the area of oil and kerosene production and bunkering
- Pioneer in the use of new technologies in derivative production
- Products and services by European standards
- Regional leader in the area of international HSE standards
- Introduction of the best European practice in public company management
- High-achievement culture and the best employer in the region
- International standards of corporate and social reporting
- Leader in economic efficiency in East Europe
- Gross profits – RSD 130 bln, the highest shareholder ROI
- Public company with the best corporate governance
- Balanced vertically-integrated oil company developing its operation in the area of energy and petrochemistry
HUMAN RESOURCES

Business Success is Reflected in the Quality
From advanced training programs to advanced experts:

- "Staff Reserves", "2014 Leader", "Young Specialists", "European Integrations" Specialist Studies Program,
- "NIS Chance" Youth Program

290

million RSD for the professional development of employees

A high level of social protection specified in the Collective Agreement and internal documents

The most competitive set of financial and non-financial incentives

From raising awareness to fewer work-related injuries

Systematic and continuous HSE trainings, courses and instructions

Number of work-related injuries reduced by 16% in comparison to last year
The Company offers its employees support in the continuous education and acquisition of new knowledge and skills in order to enable them to become skilled, dedicated and satisfied. The development of NIS would not be possible without the discovery and recruitment of the best people. Therefore, in order to attract and keep employees with the highest qualities, who are able to fulfill the tasks at hand, the Company has developed human resources management procedures.

Their experience, knowledge and expertise are of utmost importance for the increase in the Company’s success.

**Equal Opportunities**

The Company strives to be recognized as the most desirable employer. In order to achieve this, it is an imperative to follow the equal opportunities principle when employing, which guarantees that the selection of a candidate depends on his/her professionalism, experience and knowledge. This practice excludes all forms of discrimination based on any criteria – marital status, age, disability, religious beliefs, race, ethnicity, nationality, etc.

Expertise and motivation of NIS employees are some of the key factors of the Company’s success and its efficient operation.

---

**Fluctuation in the Number of Employees**

The total number of NIS employees on Dec. 31, 2013 was 5,747, which was 29.6% less than in 2012.

<table>
<thead>
<tr>
<th>Organizational Part</th>
<th>2012**</th>
<th>2013*</th>
</tr>
</thead>
<tbody>
<tr>
<td>NIS Professional Services</td>
<td>1,475</td>
<td>1,280</td>
</tr>
<tr>
<td>Naftagas*</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>1,183</td>
<td>1,000</td>
</tr>
<tr>
<td>Services</td>
<td>1,834</td>
<td>1,303</td>
</tr>
<tr>
<td>Refining</td>
<td>1,097</td>
<td>904</td>
</tr>
<tr>
<td>Sale and Distribution</td>
<td>2,374</td>
<td>1,035</td>
</tr>
<tr>
<td>Energy</td>
<td>205</td>
<td>225</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>8,168</td>
<td>5,747</td>
</tr>
</tbody>
</table>

*The headcount includes 28 employees and one „NIS Chance“ employee who will leave the Company at the end of the year (mostly through incentive severance payment program). As a part of the „NIS Chance“ program, 127 persons were employed on Dec. 31, 2013.

**The headcount includes 456 employees and one „NIS Chance“ employee who will leave the Company at the end of the year (mostly through incentive severance payment program). As a part of the „NIS Chance“ program, 322 persons were employed on Dec. 31, 2012.

**QUALIFICATION STRUCTURE ON DEC. 31, 2013**

<table>
<thead>
<tr>
<th></th>
<th>PhD</th>
<th>M.S.</th>
<th>B.S.</th>
<th>College</th>
<th>High School</th>
<th>Elem. Ed.</th>
<th>HQ</th>
<th>SQ</th>
<th>NQ</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Permanent Employment</strong></td>
<td>11</td>
<td>155</td>
<td>1,989</td>
<td>569</td>
<td>2,861</td>
<td>34</td>
<td>746</td>
<td>1,346</td>
<td>16</td>
<td>50</td>
</tr>
<tr>
<td><strong>Temporary Employment</strong></td>
<td>0</td>
<td>40</td>
<td>219</td>
<td>0</td>
<td>81</td>
<td>0</td>
<td>1</td>
<td>27</td>
<td>0</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>11</td>
<td>195</td>
<td>2,208</td>
<td>569</td>
<td>2,942</td>
<td>34</td>
<td>765</td>
<td>1,373</td>
<td>16</td>
<td>55</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>PhD</th>
<th>M.S.</th>
<th>B.S.</th>
<th>College</th>
<th>High School</th>
<th>Elem. Ed.</th>
<th>HQ</th>
<th>SQ</th>
<th>NQ</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Permanent Employment</strong></td>
<td>14</td>
<td>181</td>
<td>2,011</td>
<td>397</td>
<td>1,803</td>
<td>5</td>
<td>305</td>
<td>832</td>
<td>0</td>
<td>4</td>
</tr>
<tr>
<td><strong>Temporary Employment</strong></td>
<td>0</td>
<td>3</td>
<td>136</td>
<td>1</td>
<td>43</td>
<td>0</td>
<td>12</td>
<td>0</td>
<td>0</td>
<td>195</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>14</td>
<td>184</td>
<td>2,147</td>
<td>398</td>
<td>1,846</td>
<td>5</td>
<td>305</td>
<td>844</td>
<td>0</td>
<td>4</td>
</tr>
</tbody>
</table>

On Dec. 31, 2013, NIS had 5,552 permanent employees (which made 96.6% of employees), and 195 temporary employees, all working full time. NIS has no part-time employees or any employees under the age of 18.
### PERMANENT AND TEMPORARY EMPLOYEES BY GENDER

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Employment</td>
<td>6,082</td>
<td>1,713</td>
<td>7,795</td>
</tr>
<tr>
<td>Temporary Employment</td>
<td>239</td>
<td>134</td>
<td>373</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6,321</strong></td>
<td><strong>1,847</strong></td>
<td><strong>8,168</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Permanent Employment</td>
<td>4,204</td>
<td>1,348</td>
<td>5,552</td>
</tr>
<tr>
<td>Temporary Employment</td>
<td>105</td>
<td>90</td>
<td>195</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>4,309</strong></td>
<td><strong>1,438</strong></td>
<td><strong>5,747</strong></td>
</tr>
</tbody>
</table>

### MANAGEMENT – EMPLOYEES RATION

<table>
<thead>
<tr>
<th></th>
<th>Managers***</th>
<th>Employees</th>
</tr>
</thead>
<tbody>
<tr>
<td>% in the Total No. of Managers</td>
<td>% in the Total No. of Employees</td>
<td></td>
</tr>
<tr>
<td>Men</td>
<td>261</td>
<td>6,060</td>
</tr>
<tr>
<td>Women</td>
<td>130</td>
<td>1,717</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>391</strong></td>
<td><strong>7,777</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>235</td>
<td>1,341</td>
<td>4,074</td>
</tr>
<tr>
<td>Women</td>
<td>97</td>
<td>90</td>
<td>195</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>332</strong></td>
<td><strong>1,438</strong></td>
<td><strong>5,415</strong></td>
</tr>
</tbody>
</table>

* The headcount includes 28 employees and one „NIS Chance“ employee who will leave the Company at the end of the year (mostly through incentive severance payment program). As a part of the „NIS Chance“ program, 177 persons were employed on Dec. 31, 2013.

** The headcount includes 456 employees and one „NIS Chance“ employee who will leave the Company at the end of the year (mostly through incentive severance payment program). As a part of the „NIS Chance“ program, 322 persons were employed on Dec. 31, 2012.

*** I, II and II level managers are included.
### Age Structure of Managers and Employees

<table>
<thead>
<tr>
<th>Age</th>
<th>Management*** in 2013</th>
<th>Employees in 2013</th>
<th>Total*** in 2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-19</td>
<td>11</td>
<td>2</td>
<td>13</td>
</tr>
<tr>
<td>20-29</td>
<td>156</td>
<td>1,572</td>
<td>1,728</td>
</tr>
<tr>
<td>30-39</td>
<td>110</td>
<td>1,835</td>
<td>1,945</td>
</tr>
<tr>
<td>40-49</td>
<td>46</td>
<td>1,210</td>
<td>1,256</td>
</tr>
<tr>
<td>50-59</td>
<td>9</td>
<td>71</td>
<td>80</td>
</tr>
<tr>
<td>Above 60</td>
<td>332</td>
<td>5,415</td>
<td>5,747</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>391</strong></td>
<td><strong>7,777</strong></td>
<td><strong>8,168</strong></td>
</tr>
</tbody>
</table>

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### Fluctuation by Age Structure

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td>391</td>
<td>7,777</td>
<td>8,168</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Employee Fluctuation

<table>
<thead>
<tr>
<th></th>
<th>Men</th>
<th>Women</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>378</td>
<td>286</td>
<td>664</td>
</tr>
<tr>
<td>2013</td>
<td>206</td>
<td>154</td>
<td>360</td>
</tr>
<tr>
<td>2012</td>
<td>300</td>
<td>563</td>
<td>863</td>
</tr>
<tr>
<td>2013</td>
<td>1,604</td>
<td>2,861</td>
<td></td>
</tr>
</tbody>
</table>

### Fluctuation by Maternity Leave

<table>
<thead>
<tr>
<th>Employees who went on maternity leave in 2012</th>
<th>Employees who went on maternity leave in 2013</th>
<th>Employees who returned to work after maternity leave by Dec. 31, 2012 and Dec. 31, 2013</th>
<th>Remaining number of employees expected to return after leave in 2014 and 2015</th>
<th>Left the company</th>
<th>Employees who returned to work after maternity leave, and still remained employed with the Company 12 months after the termination of leave</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>Women</td>
<td>71</td>
<td>53</td>
<td>68</td>
<td>56</td>
</tr>
</tbody>
</table>

* The departures at the very end of the year were not included. Total 297 - 1 „NIS Chance“, 4 other employees and 24 voluntary departures. The new 2013 employees include 153 „NIS Chance“ program participants.

** The departures at the very end of the year were not included. Total 457 - 1 „NIS Chance“, 2 other employees and 453 voluntary departures. The new 2012 employees include 326 „NIS Chance“ program participants.
In 2013, 2,861 employees left the Company, six of whom retired, and 2,258 employees left the Company by mutual consent. In case of 597 employees, employment was terminated for other reasons: The employer terminated their employment agreements, employment was terminated at the request of the employee, completion of the temporary employment period, death of the employee, etc.

If the Company needs to change the job description of an employee in an organizational unit, it has the obligation to offer the employee a conclusion of Annex to the Employment Agreement and the employee has eight work days as of the date the offer is made to accept or decline it.

### Basis for Termination of Employment

<table>
<thead>
<tr>
<th>Basis for Termination of Employment</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Retirement</td>
<td>103</td>
<td>6</td>
</tr>
<tr>
<td>Voluntary Departure Programs</td>
<td>1,350</td>
<td>2,258</td>
</tr>
<tr>
<td>Other</td>
<td>151</td>
<td>597</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>1,604</td>
<td>2,861</td>
</tr>
</tbody>
</table>

### Cooperation with Trade Unions

As a socially responsible company NIS supports the freedom of association and collective bargaining, therefore, in 2015 it continued its intensive cooperation with the representative employee trade unions. Employee rights specified in the Collective Agreement and the Labour Law are exercised through the constructive relationship with the unions, daily consultations, weekly and quarterly meetings with a view to presenting the results of business operations and improvement of social dialogue.

The Collective Agreement signed between NIS management and the unions and the standards arising from it sets out employee rights, but especially HSE issues, as well as the issue of personal protective equipment, the right to decline hazardous tasks, training rights, and the undertaking of periodic inspections. The participation of the Unions in the resolution of the above mentioned matters is of special importance.

On Dec. 31, 2013, 74% of NIS employees were members of representative unions, which showed that, although the number of employees had been reduced, the number of representative union members had not been reduced significantly if compared to the number of employees.

There are two representative trade unions in NIS:

- Uniform union organization at NIS j.s.c. (covers the following Blocks: “Sales and Distribution”, “Refinery”, “Energy” and “Headquarters”)
- Uniform union organization Naftagas (covers the following Blocks: „Exploration and production” and „Services”)

<table>
<thead>
<tr>
<th>The number of employees in the representative trade unions</th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Uniform union organization at NIS j.s.c.</td>
<td>4,217</td>
<td>2,590</td>
</tr>
<tr>
<td>Uniform union organization Naftagas</td>
<td>2,106</td>
<td>1,543</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>6,323</td>
<td>4,133</td>
</tr>
</tbody>
</table>

As a socially responsible company NIS provides its employees with a high level of social security and other benefits, which are all regulated by the Collective Agreement and internal documents. Some of the benefits covered by the Collective Agreement and the internal documents that are available to all employees include:

- Special protection of people with work-related disabilities and of those suffering from work-related illnesses, as well as preventive recuperation of employees working on high-risk positions, on jobs where reduced service years for retirement apply, as well as of all other employees with a view to preventing professional illnesses and disabilities
- Solidarity assistance in case of illness of the employee or a member of his/her nuclear family, as well as in case of death of an employee or a member of his/her nuclear family
- Solidarity assistance to employees for the birth of the third and each subsequent child
- Solidarity assistance to employees who have suffered destruction or damage of their house-hold in natural disasters and due to other special circumstances
- Scholarships during the regular education of the children of killed and deceased employees up to 26 years of age
- Collective employee health insurance in case of serious illnesses or surgery
- Collective employee insurance in case of accidents
- Voluntary retirement insurance for permanent employees
- Resolving employee accommodation issues by allotting housing loan subsidies

An HR portal has been created with a view to informing employees of all benefits and terms and conditions for using the said benefits under the Collective Agreement and the internal documents.
People, as the most important element of success, ensure the leading position of the Company in the region and guarantee that this trend will continue in the future as well.

Through investments in the selection and recruitment processes, the Company strives to choose the best candidates from the market through different modes of attraction, through tests and interviews in order to choose the ones who are best-suited for the requirements of a certain position. The selection of candidates in NIS is a transparent process which includes different methods and techniques and leads to higher objectivity in the selection process.

In this manner, in 2013 more than 3,000 people were hired.

**NIS Chance**

In 2014, NIS has continued its tradition of employing young people who have only just graduated from high school or university, where this tradition was started by the Republic of Serbia’s program - “First Opportunity”. From the “First Opportunity” project, NIS has developed a much larger program called “NIS Chance”. This program allowed the Company to grow by more than 670 young people. They mostly include beneficiaries of the Republic of Serbia’s program - “First Opportunity”. From the “First Opportunity” project, NIS has developed a much larger program called “NIS Chance”. This program allowed the Company to grow by more than 670 young people. They mostly include beneficiaries of the Republic of Serbia’s program - “First Opportunity”.

As part of its technical trainings, NIS offers the possibility of getting international certificates and diplomas in the area of finance (Association of Chartered Certified Accountants, International Financial Reporting), project management (Project Management Institute), etc.

In 2013, a modern Employee Training Center was opened in the «Sales and Distribution» Block, which is unique in the region.

With a view to supporting the continuing education of its personnel, NIS has developed specific incentives. The most important programs in this area include «Staff Reserve», which included 486 employees in 2013, as well as the successfully initiated project «2014 Leader» for 20 employees. Each of these programs is intended for the development of competences of certain groups of employees, and the final objective is enabling the employees to achieve strategic goals of the Company in accordance with Company values.

In cooperation with the Belgrade and Novi Sad Universities, a specialist studies program called «European Integrations» was created with a view to developing the necessary expertise for operation within the European Union, for employees who will take positions at NIS which require such expertise.

**Fiscal Year 2013**

In 2013, NIS allotted about RSD 290 mil. for professional development of its employees.

NIS employees are also offered very specialized trainings held by prominent experts from Russian universities (Russian State University of Oil and Gas I. M. Gubkin and Samara State Technical University). In 2013, NIS established important cooperation with the Technical School in Zrenjanin, where the professional training of NIS employees took place, and with «Mihajlo Pupin» Faculty of Technical Sciences, a department of the Novi Sad University in Zrenjanin, where the establishment and accreditation of a new study program – “Industrial Engineering in Oil and Gas Exploitation” – has been initiated. The implementation of the program is supported by Uhtinski State Technical University in Russia, whose Professors will lecture some of the courses in the curriculum.

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With a view to developing its personnel, NIS also implements the “Young Specialists” program intended for the youngest colleagues who need to develop their professional and leadership skills. In 2013, 108 employees were included in this program. From the very beginning of their work at NIS, this program provided them with support in their career management, which will contribute to the achievement of strategic objectives in the long term. The “Summer Internship” program is intended for talented students, who are offered an opportunity to work with a successful company and acquire precious experience. In 2013, 115 students were included in this program, whereas more than 190 students came for a one-day professional visit to NIS.

In 2013, NIS allotted about RSD 290 mil. for professional development of its employees.

**Incentive System**

In 2013, NIS continued its improvement of the Incentive System, which includes all positions and is especially significant for the increase in efficiency of Company operations.

As a socially responsible Company, NIS provides conditions which will help it become one of the most attractive employers in the region through the following systems:

- financial incentive system
- non-financial incentive system

**Financial Incentive**

The salary level at NIS is equivalent to those at the leading companies in Serbia, which is guaranteed by

---

**Candidate selection at NIS is a transparent process which includes different methods and techniques and leads to a more objective selection process.**

**Selection of Personnel**

In 2013, 177 best young university and high-school graduates got their first job at NIS, whereas 255 of them were hired under this program during 2013/2014.

**Professional Development of Employees**

In order to ensure that its employees acquire high qualifications by European and international standards, NIS has developed a system of continuous and high-quality training, all in accordance with its corporate culture and the requirements of the business processes.

The training and development plan covers the following types of trainings and programs:

- Technical trainings (professional trainings in specific work areas – handling specific equipment, etc)
- Non-technical training intended for the development of managerial and leadership skills (so-called soft skills, seminars, conferences and symposiums)
- Foreign languages (in accordance with the business operation requirements) and Serbian for foreign employees
- Statutory trainings, licenses, etc

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**Training Costs (in RSD millions)**

<table>
<thead>
<tr>
<th>Training Costs (in RSD millions)</th>
<th>2012</th>
<th>2013*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Professional Education Costs</td>
<td>209</td>
<td>265</td>
</tr>
<tr>
<td>Advising Costs</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Business Association Membership Costs</td>
<td>5,8</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>237,8</td>
<td>290</td>
</tr>
</tbody>
</table>

* 2013 Training Costs do not include the costs of the “Energy of Knowledge” project
the Collective Agreement, which specifies that basic salary is defined according to the job grade. Each grade has a defined salary range – from the minimum to the maximum basic salary, through the following five salary grades:

1. Beginner Level
2. Development Level
3. Standard Level
4. Expert
5. Highest Competence

The salary range covering all five grades constitutes the salary scale, which is defined based on the referential labour market median, according to research on salaries conducted by independent organizations, which ensures the competitiveness of employee salaries.

The monthly minimum basic gross salary at NIS is defined by the Collective Agreement and amounts to RSD 45,000.00, which is above the minimum gross salary in Serbia of RSD 27,303.85 in December 2013 (source: Serbian Statistical Office). There is no discrimination in NIS when defining employment salaries.

In accordance with the provisions of the Collective Agreement, monthly, quarterly and annual employee work achievements are assessed, whose results are then reflected in the reward system, which impacts the variable part of the salary. Competence, qualifications, job complexity, quantity and quality of work are the basic rewarding criteria. Assessment of employee performance results in the allotment of monthly, quarterly and annual bonuses, whereas the assessment of management performance is performed through the goal-based performance management system (GBPM), taken over from Gazprom Neft.

All employees are given feedback on the assessment results.

In 2013, Annex II to the Collective Agreement was signed introducing a new employee salary and reward management system, in which every employee can change the amount of his/her salary through their own work results, influencing, thereby, the business results of the Company. The new grading system ensures the Company operates according to the principles of internal fairness and external competitiveness of employee remunerations.

In this manner, the Company creates an environment and culture in which employees have direct impact on their remuneration through their work results, influencing, thereby, the business results of the entire Company. The new grading system is harmonized with the Gazprom Neft grading system.

Competence, qualifications, job complexity, quantity and quality of work are the basic rewarding criteria.

A new Standard-Salary Management Principles for the NIS employees has been applied since January 2014, and has introduced changes which mostly relate to basic salary. Apart from everything else, a new grading system has been introduced, which is compliant with the international methodology for the assessment of work places. The competence-based assessment, which will take place once a year, has been introduced in the Company for the first time, and, in this respect, the amount of the salary is in the hands of the employees themselves.

Non-Financial Incentives

Non-financial incentives are tools which are used by direct managers to influence the motivation of employees.

The Company has developed several programs, as follows:

• The best in a specific line of business – three selection categories are defined within this program at individual level: best employee, best expert and best manager
• I have an idea! – A program rewarding creative and constructive ideas of the employees, especially those which lead to significant savings or financial efficiency
• HSE awards – A program directed at the increase of personal safety and safety of colleagues around us. This program assesses each implemented HSE activity, suggestions for HSE improvements, as well as reporting for medical examinations and HSE trainings.
• Instant Rewarding – The direct-line manager receives a certain number of vouchers which can be granted to employees who show outstanding work results.
• Open Door – A program within which senior management defines the day and time when they are available to employees who want to ask them questions or resolve any problems they might have in eye-to-eye communication.
• Discount System – The discount system offers discounts to NIS employees for various purchases – mostly for shopping, tourism or cultural events (discounts on food, clothes, footwear, travel arrangements, tickets for cultural events, etc).

In 2013, Annex II to the Collective Agreement was signed introducing a new employee salary and reward management system.
As a socially responsible company, in 2013 NIS continued the Healthy Life Policy with a view to improving the mental, physical and emotional health of its employees, as well as to creating a positive working environment, which all contribute to the maintenance and further enhancement of the Company’s image.

In 2013, Sport Activities Management Standard was adopted, which defined the rights and obligations of employees during the implementation of the Healthy Life Policy.

In accordance with the defined documents, the following activities are undertaken:

- **Educational activities** with a view to providing timely support to the employees during the process of improvement of their well-being, seminars on healthy food have been organized, as well as presentations on the impact of physical activities on the improvement of one’s health. More than 30 texts have been published in printed and electronic media, as well as more than 21 brochures as a part of the NIS fitness program operating under the slogan „Exercise for Health“.

- **Preventive activities** – sports and diagnostic examinations contributed to the definition of employee health, which helps improve their health and physical condition. About 1700 employees had medical exams, and were allotted exercise and balanced nutrition plans for six months based on individual test results.

- **Recreational activities** have contributed to better cooperation and have enabled employees in more than ten cities in Serbia to get into better shape, but also to raise their satisfaction level through socializing with the colleagues, as well as with members of their families, and all this through daily recreational activities and with the support of competent professionals.

- **Competitions** provide an opportunity for employees who excel in different sports, but who are also successful at work, to represent NIS at various events – both on local and international levels. At more than 12 sports events, employees have won 10 awards for their achievements, and have earned recognition in the corporate sports world.

- **Cooperation with sports and other institutions** improved our image as a socially-responsible company. The Company has cooperated with the Center for Prevention of Disorders - Veternik- Novi Sad, Red Star Football Club from Russo Selо.

The Healthy Life Policy supports the engagement of employees in all segments, where, through the system of rewards, we strive to recognize those who demonstrate the greatest effort and achieve our objectives – through NIS sports toward health and leadership.

All activities are free for all employees who contribute to the achievement of business objectives of the Company, regardless of their employment contract, and in case of some activities, family members are granted significant discounts, as well.

Employees may participate in all activities they are interested in, but only if an MD specializing in sports medicine has issued his/her approval. All details are available on the NIS portal sports page, notice boards, and in „MY NIS” magazine.

### Occupational Health and Safety

Occupational Health and Safety of all NIS employees, as well as of third parties hired by NIS, is a priority for the Company. All activities which were initiated in the previous years have been continued and improved in 2013. New standards have been introduced and numerous activities undertaken to educate employees.

In accordance with that, the Company has started preparing and presenting the HSE Report, which is the first report of this kind, providing a comprehensive review of the current situation, activities undertaken and objectives achieved in 2013. The HSE Report has shown a significant improvement in the implementation of European HSE standards in 2013. For the first time, a comparative analysis of the HSE situation at NIS in comparison to companies in the same or similar business area, has shown that the situation at NIS, in terms of ecological indicators, is in compliance with European indicators. Nevertheless, the indicators related to Occupational Health and Safety and industrial safety show that there is a real need and space for significant improvements.

Activities undertaken during previous years in the Occupational Health and Safety had positive effects in 2013, as well.

Between 2009 and 2013, the number of adverse events was significantly reduced in terms of almost all key HSE indicators – the number of work-related injuries and traffic accidents was reduced by almost 60%, whereas the number of fires and ecological accidents was reduced by about 20% despite the more stringent criteria and constant increase in transparency in reporting on adverse events.

In spite of significant growth in the number of inspections conducted by state authoritative in the past three years, the drop in the number of measures pronounced by the said authorities was evident. In 2013, the negative trend indicating that the number of pronounced measures was higher than the number of visits of the competent inspection authorities was interrupted.

### HSE Indicator Review

In 2013, NIS started the practice of recording HSE indicators from two aspects – from the aspect of events which are under the direct impact of the Company and those which are outside NIS direct influence, i.e. it created a registry focusing on NIS and a registry focusing on contractors.

**Activities undertaken during the previous years in the Occupational Health and Safety had positive effects in 2013, as well**
HSE Indicators

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Number of Injuries</td>
<td>106</td>
<td>89</td>
</tr>
<tr>
<td>Number of Injuries with Sick Leave</td>
<td>79</td>
<td>58</td>
</tr>
<tr>
<td>Number of Days Lost</td>
<td>1,651</td>
<td>1,664</td>
</tr>
<tr>
<td>Days of Sick Leave due to Work-Related Injuries</td>
<td>22,488</td>
<td>14,928</td>
</tr>
<tr>
<td>Hours of Absence from Work</td>
<td>370,949</td>
<td>295,207</td>
</tr>
<tr>
<td>Hours of Regular Work</td>
<td>15,088,954</td>
<td>11,569,680</td>
</tr>
<tr>
<td>Injury Rate (IR)</td>
<td>7.03</td>
<td>7.69</td>
</tr>
<tr>
<td>Absence Rate (AR)</td>
<td>24.58</td>
<td>25.52</td>
</tr>
<tr>
<td>Lost-Days Rate (LDR)</td>
<td>1.49</td>
<td>1.29</td>
</tr>
<tr>
<td>Number of Fires</td>
<td>36*</td>
<td>43*</td>
</tr>
<tr>
<td>Number of Traffic Accidents (Road Traffic)</td>
<td>69</td>
<td>64**</td>
</tr>
<tr>
<td>Number of Ecological Accidents</td>
<td>75</td>
<td>89</td>
</tr>
<tr>
<td>Number of Inspections by the Authorities</td>
<td>817</td>
<td>774</td>
</tr>
<tr>
<td>Number of Measures Undertaken by the Authorities</td>
<td>819</td>
<td>692</td>
</tr>
</tbody>
</table>

Note: consequence of an increase in the IR and AR indicators is the reduction in the number of work-hours caused by the reduction in the number of employees.

*Fire on buyers’ vehicles was not included in the total number for 2012 (11 vehicles) and 2013 (43 vehicles).
**Events from the Traffic category: railway accidents and accidents related to agricultural and construction machinery were not included.

Types of Employee Injuries in 2013

- Mechanical Injuries: 32%
- Thermal and Chemical Injuries: 8%
- Traffic: 26%
- Miscellaneous: 17%
- High Falls: 11%
- Stress: 2%
- Miscellaneous: 15%

Total: 89

Of the total number of work-related injuries in 2013, only one injury resulted in employee death. In October 2013, on the local road between Srbobran and Turija, in the very vicinity of the «Turija» well, a traffic accident occurred in which one employee lost his life. The accident was caused by the employee losing control of the Company vehicle and colliding with another Company vehicle.

These accidents remind us of how important it is to observe regulations defined in the Law on Road Traffic Safety, as well as internal Company rules and recommendations in order to avoid cases like this.
Activities of the Board for Occupational Health and Safety

In accordance with the provisions of the Collective Agreement, NIS has established Boards for Occupational Health and Safety (BOHS) at the following organizational units:

- BOHS NIS
- BOHS Exploration and Production
- BOHS Refinery
- BOHS Sale and Distribution
- BOHS Services (DFS) and BOHS Energy

Each Board for Occupational Health and Safety has five members: three employee representatives (trade union) and two employer representatives, and in 2013 more than 74% of employees were covered.

Reports on the activities of these Block Boards are submitted to the Board on the NIS corporate level. The Boards meet at regular intervals during the year, and their role is extremely significant, especially in the following areas:

- Medical examination organization
- Work conditions for employees
- Personal protective gear issues
- Participation in the preparation of the Workplace and Work Environment Risk Assessment at different Blocks

Regular monthly topical meetings of top NIS management, chaired by the General Manager and the HSE management, were held at different NIS locations in 2013, as well.

HSE Training

In 2015, the following was adopted: a new Company standard called “HSE Training at NIS i.e. Novi Sad” and the “Training Program”, which defined a new concept of training of employees, contractors and visitors in the areas of Occupational Health and Safety, fire safety and environmental protection.

The Standard and the HSE Training Program define:

- HSE training catalogue – gathers and defines all trainings in the area of HSE at the level of NIS.
- HSE trainings are defined in accordance with legal and statutory requirements, internal HSE standards, technological processes and the nature of jobs, recognized risks at various workplaces and examples of good HSE practice.
- Trainings are divided into four modules: M-1 Introductory Trainings, M-2 Workplace Trainings, M-3 HSE Management System Trainings and M-4 External Trainings.
- The HSE Training Matrix – a document which defines a list of the necessary HSE trainings for a specific workplace according to organizational structure and relevant job description in the Company.
- An education plan and HSE training schedule – documents which systematically define the schedule of execution of HSE trainings during the calendar period they refer to.
- Educational materials – HSE training instructions and presentations are prepared for all trainings within M1, M2 and M3 modules, and define the scope and contents of the materials, as well as the time necessary for the training of the employees.

The “HSE Leadership” program was implemented in 2013, which included an assessment of the HSE culture in the Company and education of managers in the HSE area, i.e. informing/reminding managers of the principles, norms and characteristics which should be known and possessed by the managers.

<table>
<thead>
<tr>
<th>HSE Training Modules</th>
<th>Number of Attendees</th>
<th>Time Spent (h)</th>
</tr>
</thead>
<tbody>
<tr>
<td>M1 – Introductory Training</td>
<td>259</td>
<td>13,315</td>
</tr>
<tr>
<td>M2 – Workplace Training</td>
<td>139</td>
<td>6,203</td>
</tr>
<tr>
<td>M3 – HSE Management System Training</td>
<td>133</td>
<td>4,573</td>
</tr>
<tr>
<td>M4 – External Trainings</td>
<td>150</td>
<td>2,561</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>681</strong></td>
<td><strong>26,652</strong></td>
</tr>
</tbody>
</table>

Improvement of HSE Competence

During the year, several trainings for the improvement of HSE competences were organized. Preparatory trainings for professional exams were organized, as well as various professional seminars and expert trainings. Also, for a certain number of employees, a training for internal inspector of the Occupational Health and Safety System Management (OHSAS 18001) was organized.

The objective of the training process is for all employees, in accordance with their positions, to go through a systematic cluster of HSE trainings, courses and instructions in order to increase their level of HSE competences.

Safe Driving Training – NAVAK Training

In order to promote traffic safety, NIS implemented two projects: safe driving training and the procurement of a console for testing physical and psychological abilities of drivers with a view to preventing traffic accidents.

Safe driving training was implemented in cooperation with the National Driving Academy (NAVAK) at the Subotica polygon. Several types of training intended for professional drivers of passenger and freight vehicles were organized, as well as training for drivers who occasionally drive personal vehicles. With a view to developing driving skills and awareness of traffic risks, the training at the NAVAK centre was implemented through several programs for NIS employees, as follows:

- Intensive training – intended for employees who use Company vehicle frequently or for prolonged periods of time
- Professional training – intended for professional drivers of passenger and Company vehicles
- Professional training – for freight vehicle drivers
- Corrective training – intended for employees who were involved in traffic accidents

HSE Campaigns

In its endeavors to develop employee awareness in the areas of occupational health and safety, environmental protection and fire safety, in 2013 NIS executed 18 different campaigns.

Also, on two occasions a campaign intended for clients/buyers was conducted at gas stations called “Initial Fires on Vehicles”. Campaigns were executed in the form of dialogue between professionals and employees, visitors and contractors at NIS, as well as by handing out educational brochures.

HSE Incentives

With a view to expanding employee knowledge and developing their awareness of the significance of HSE, a system of non-financial incentives was established and the best achievements in HSE improvements are rewarded on the basis of the said system. A significant increase in the number of people proposed to be rewarded, as well as of employees who have been rewarded through the HSE system of non-financial incentives are the result of active promotion of the process and employee trainings, but also of the engagement of direct managers and HSE officers at operating level, who helped employees understand better how processes work, thus encouraging their personal engagement in the improvement of HSE in their fields of work.
COMMUNITY RESPONSIBILITY

Serving the Community
5 community investment programs:

Energy of Sports, Culture without Limits, Energy of Knowledge, Humanitarian Projects and Cooperation for Development

We continue our successful cooperation with the Belgrade and Novi Sad Universities, as well as with the Petnica Research Station

Only through the open competition «Together for the Community»

<table>
<thead>
<tr>
<th>From Serbia, for Serbia</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>414.5</strong></td>
</tr>
<tr>
<td>million RSD was invested in the implementation of social programs in 2013</td>
</tr>
<tr>
<td><strong>11%</strong></td>
</tr>
<tr>
<td>higher than last year</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Number of social investments</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>88</strong></td>
</tr>
<tr>
<td>million RSD was distributed for the implementation of 145 projects</td>
</tr>
</tbody>
</table>
Starting from the premise that partnership with society ensures a better future for the community, NIS establishes a system of dialogue with representatives of the state authorities, local government and the business community. The Company is not involved in the work of any political parties.

In 2013, NIS continued its support for local communities on the entire territory of Serbia in accordance with set programs, and invested RSD 414.5 million in their implementation.

**Energy of Sports**

The „Energy of Sports” program supports professional and children’s sports, and promotes a healthy lifestyle. Special attention is paid to the proper development of children and youths and talent promotion.

In accordance with its efforts to bring sports closer to the youngest members of the society, NIS supported the Mini Basket League organized by the Basketball Federation of Serbia. More than 7,000 students from more than 200 clubs and schools participated in the competitions. The „Make-Believe European Championship” was organized in front of the NIS administrative building in New Belgrade, where the attention of participants at this championship, as well as that of their fans, was attracted by Partizan’s basketball players, who showed up to support the young talents.

In 2013, NIS became a strategic partner of the Partizan Basketball Club, thus continuing its efforts to promote highest sports values, team spirit and top results. Apart from that, NIS also strives to support young members of the club, to bring basketball closer to children and the youth and to participate in humanitarian campaigns.

The Company is also the general sponsor of the Tennis Association of Serbia and supports the best Serbian tennis players competing in Davis Cup and Fed Cup. As a part of their long-term cooperation, NIS and the Tennis Association of Serbia organize the „Open School of Tennis” for children from all parts of Serbia.

The Company allotted RSD 150.5 million for sports sponsorship projects.

**Culture without Limits**

Through the „Culture without Limits” program, support is provided to cultural institutions and events that are of importance for the local community, as well as to Russian–Serbia cooperation projects. The 41st International Film Festival «FEST» was supported with a view to contributing to the quality of cultural and artistic production, maintenance of cultural heritage, as well as encouraging new ideas and initiatives. During this event, a photography competition was organized under the slogan „Like the
Apart from Belgrade and Novi Sad, the exhibition supported by NIS was also presented to the participants of the Weekend Media festival in Rovinj. In 2013, NIS was the general sponsor of the ‘Bal- kan Traffic’ music festival, which is organized in Brus- sels and promotes Balkan arts. During the festival at the Brussels Centre for Fine Arts, ‘BJÖRKE’, artists from Serbia, Romania, Bosnia and Herzegovina, Hungary, Turkey, Bulgaria, Macedonia, Greece and Albania per- formed on several stages, including artists from Syria, Belgium and America, debates about the future of the Balkans culture were organized and various films were shown.

More than RSD 42.8 million was invested in the or- ganization of this program in 2013.

Energy of Knowledge

The concept of the ‘Energy of Knowledge’ pro- gram requires partnership with educational leaders in the country, universities, faculties, high schools and expert scientific societies, through investments in the educational system, pupils and students who achieve best results during their education.

In line with that, a NIS classroom has been adapted and equipped at the Faculty of Technological Sciences in Novi Sad, and a NIS distant learning classroom was equipped at the Faculty of Mining and Geology in Belgrade, which provides better and more modern conditions for studying, with a view to teaching highly qualified personnel educated for work in the area of geological and mining exploration, and oil and oil deriv- atives refining and distribution.

NIS experts gave several lectures as visiting lec- turers in order to acquaint students at faculties and universities in Belgrade and Novi Sad with business processes at NIS, and NIS representatives also partici- pated in case study competitions: ‘Balkan Business International Case Competition’ organized by the Fac- ulty of Organizational Sciences, and ‘Case Study Show’ organized by the Faculty of Organizational Sciences and the ESTIEM student organization.

In the area of high-school education, the Company cooperates with the Association of Physicists of Ser- bia, the Association of Mathematicians of Serbia and the Serbian Chemical Society with a view to supporting competitions and the organization of national Olymp- ics in Mathematics and Physics, as well as with the Slavic Society of Serbia and the Russian Centre established by the ‘Ruski mir’ fund with a view to reaffirming and popularizing the Russian language and organizing the National Olympics in the Russian Language.

NIS was a partner of the national teams who rep- resented our country at the world Olympics in Math-

Children’s creativity was supported through the largest and most significant events of this kind in Serbia – the Interna- tional Children’s Festival ‘Joy of Europe’, International Children’s Foklore Festival „Lidizersko srce“ and „Zmajevce dece je igre”.

As a part of the ‘Energy of Knowledge’ project, the program of scholarships for the best students of the Belgrade and Novi Sad Universities was continued.

As part of the ‘Energy of Knowledge’ project, the program of scholarships for the best students of the Belgrade and Novi Sad Universities is being continued.

As part of the traditional support of ‘Sterijino pozo- rje’, the most important Serbian drama and the- atre festival, the Company actively participated in the festival with a performance of the play ‘Magician’ at NIS Business Centre in Novi Sad.

The ‘Polet’ exhibition dealing with the aesthetics of advertisements published in the ‘Economic Politi- cs’ weekly in the former Yugoslavia attracted con- siderable attention among cultural circles.

As part of the ‘Energy of Knowledge’ project, the program of scholarships for the best students of the Belgrade and Novi Sad Universities was continued.
seminars, camps or workshops which were attended by 1,500 students and 5,000 visiting associates and lecturers.

More than RSD 63.1 million was invested in the implementation of science-related programs in 2013.

Humanitarian Programs

NIS supports the less fortunate categories of the population through its humanitarian projects. Funds were allotted to the B92 Fund for the „Battle for Maternity Hospitals”, a campaign focused on hospitals in Serbia and Bosnia and Herzegovina, to the motor bike club „Harley Davidson” for a humanitarian concert and help in Kosovo and Metochia, to the National Association of Parents with Children Suffering from Cancer (NURDOR) in the form of fuel cards, to churches and monasteries for the maintenance of heritage.

Together with the Tennis Association of Serbia, the Company organized the Open School of Tennis for Children without Parents from the Children’s Home on Zvečanska Street and provided them with an opportunity to support members of the Davis Cup team in the semi-final matches at Belgrade Arena.

The Company donated RSD 40.1 million through humanitarian projects in 2013.

Cooperation for Development

The objective of this program is strengthening relations with regions wherein the Company operates, with the local authorities and population.

In an endeavor to enable citizens in local communities to get the most from the “Cooperation for Development” program, in 2013 the Company applied a new project-funding principle: 100% of the funds intended for this program were distributed exclusively through public competition.

Projects were evaluated by a commission comprised of NIS representatives and the local community based on the following criteria:

• Even support for projects from all areas that are entered in the competition (Energy of Sports, Culture without Limits, Energy of Knowledge, helping socially deprived groups, environmental protection)

• Relevance of the problem which the project deals with for the needs of the local community

• Participation of the local community at all stages of the project (participation of citizens, cooperation with local institutions, etc)

• Coherence of the local community at all stages of the project (participation of citizens, cooperation with local institutions, etc)

• Project sustainability

• Budget justification in comparison with the proposed activities

• Ability of the association to implement the submitted project

Although the criteria were even more stringent than before, the number of submitted project proposals was well above the expectations. This is the best proof that NIS is recognized as a safe partner in the implementation of plans for the improvement of life in the local community.

In 2013 alone, NIS invested RSD 118 million into the program of cooperation with local communities. A public competition called “Together for the Community” took place on the territory of 10 towns with which NIS has cooperation agreements: Novi Sad, Nis, Pancevo, Zrenjanin, Kikinda, Novi Becej, Zitiste, Kanjiza, Srbobran, and for the first time, the city of Cacak. 145 projects were selected in the open competition.

Apart from everything else, in Novi Sad, the Company supported the implementation of the „Green Roof
for Children in Novi Sad” program intended for the con-
struction of a rooftop garden on one of the flat roofs of
“Milan Petrovic” school with an amount of RSD 612,000.
Apart from that, NIS invested RSD 780,000 in the
project called „Establishment of an Information Sys-
tem of an Online Sound Library for the Blind and Per-
sons with Impaired Sight”, which facilitates better in-
formation and greater availability of books, textbooks,
and newspapers for blind people and persons with
impaired sight wherever they might be, since all ma-
terials are available online; they can be listened to (a
short summary of the work) before downloading); and
are available 24/7, 365 days a year, without any costs
for the users.
On the territory of Nis, apart from everything else,
funds were allotted to the inclusive park – an innova-
tive area, whose appearance and contents resemble
open-air gyms, but, unlike them, was designed with
reliance on the lessons learned through the construc-
tion of similar objects in Western countries, represent-
ing a unique space in the country (RSD 300,000). The	park has no architectural obstacles, it includes devic-
es which allow appropriate physical exercise and re-
habilitation of all vulnerable social groups of children,
youth, persons with different levels of disabilities, the
elderly and recuperating persons.
At the Stevan Sremac National Library, a project
worth RSD 500,000 was implemented adapting a
space for book promotions, other media promotions
and conferences, education, workshops, lectures and
discussion panels.
As a part of support to the projects in Cacak,
special attention should be paid to the project of
development and expansion of the city shore and
swimming area (RSD 1.2 million), as well as to projects
related to the development of courts for basketball,
handball, volleyball and football at Milica Pavlovic Ele-
mentary School (RSD 3 million) and the construction of
a tennis court at Branislav Petrovic Elementary School
(RSD 1,356,000).
On the territory of the Novi Becej municipality, the downtown sports facilities were reconstructed – an investment of RSD 800,000 – and the project of development of the area around an English Oak in the yard of the pump station Kumane near the Tisa river was implemented with a total value of RSD 321,300. In 2013 in Srbobran, attention was directed to the development of children playgrounds in Turija on two locations (project value – RSD 579,965.52), as well as to the construction of a metal protective fence around the football pitch in Turija, with a value of RSD 350,000.

On the territory of Zitiste, the Company cooperated with «Saint Sava» Elementary School on the implementation of the project of installation of IC heating in the school gym (RSD 1.6 million) and with «Milos Crnjanski» Elementary School on the refurbishment of the school building in Srp–ski tebej in order to stop its further dilapidation, since this building is of great historical and social importance (project value – RSD 721,000).

In Zrenjanin, the restoration and conservation of the oldest theatre hall in «Tosa Jovanovic» National Theatre was completed for an amount of RSD 1.4 million, which secured uninterrupted operation of this important institution.

Apart from that, the Company reconstructed sports grounds at «9th May» Elementary and High School – project value RSD 2 million; also, gutters on the school gym were replaced and the terrace of the said gym was covered with a canopy at «Jovan Ducic» Elementary School (project value – RSD 424,500), whereas at “Zarko Zrenjanin” City Library, a computer and Internet room was equipped – the value of this project was RSD 550,000.

Citizens of the Kikinda municipality got new green spaces and mobile parks at several locations in the city (project value – RSD 900,000). In the Retirement Home, toilets were adapted and access paths were constructed for persons with special needs with a view to improving the living conditions of the elderly (RSD 620,000).

Apart from that, air conditioning was installed in the Centre for Social Care in Kikinda, which improved the working conditions for its employees and for its users (Project value – RSD 500,000).

On the territory of the Kanjiza municipality the «Solar LED Tree» project was implemented; the value of which was RSD 2.5 million. The project included solar powering of the LED lighting on the Technical School premises, and solar panels were installed in the shape of a large tree in the school yard.

Apart from everything else, a “green” classroom was equipped in the yard of the Elementary School in Horgos, with a value of the project of RSD 525,000, which improved working conditions in the summer classroom for all students. In Pancevo, among everything else, the Company helped the construction of a fence around the premises of «Stevica Jovanovic» Medical School in order to separate it from the hospital yard. The yard was equipped for curricular and extracurricular activities, benches and rubbish bins were placed in the yard, and ornamental trees and plants were planted. A running track with a length of 400 m was constructed at «Dositej Obradovic» Elementary in Omoljica, with a value of the project of RSD 3,955,000, which expanded the options available for the development of school children.
HEALTH AND ENVIRONMENTAL PROTECTION

In Harmony with Nature
In the Safety Circle

Increasing energy efficiency and reduction of negative parameters

Reduction of pollutant emissions into the air

<table>
<thead>
<tr>
<th></th>
<th>SO₂</th>
<th>NO₂</th>
<th>Dust</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decrease</td>
<td>-57%</td>
<td>-60%</td>
<td>-80%</td>
</tr>
</tbody>
</table>

in comparison with the previous year

- 57% higher current costs of environmental protection in comparison with previous year

- 62% higher than planned in 2013

Cogeneration – beginning of an efficient long-term gas resource usage program
In 2013, the foundations of the HSE strategy were laid, numerous trainings were organized, normative and methodological documents were prepared (standards, instructions, methodologies, guidelines, safety instructions), supervision and monitoring systems were improved, an efficient HSE notification and response method was implemented, etc.

HSE Philosophy

As a socially responsible company, NIS strives to use all natural resources rationally and to reduce adverse effects on human life and the environment by advancing HSE culture at the Company. Through the implementation of established international standards in the area of industrial safety, health protection, and the application of the international best practice (BAT) in investment projects, in accordance with regulations of the Republic of Serbia, the HSE function was established with a view to improving health and safety of employees and promoting environmental protection in accordance with NIS principles.

Current expenses for environmental protection amount to RSD 565 million.

Total investments in 2013 in the implementation of environmental protection projects amounted to RSD 2.1 bln, which is 62% more than the planned investments for 2013.

Environmental Protection

Through the implementation of projects whose objective is the reduction of emission of pollutants into the air, water and soil, decrease in waste production, an increase in energy efficiency and the use of renewable sources, the recovery of areas exposed to historical and accidental pollution, as well as the implementation of technical and technological measures in accordance with the best available techniques, the Company has confirmed in practice its dedication to environmental protection.

As a socially responsible company, NIS strives to use all natural resources rationally and to reduce adverse effects on human life and the environment by advancing HSE culture at the Company.

In 2013, activities were directed toward the implementation of projects defined in the action plans for environmental protection and the completion of the Pancevo Oil Refinery modernization project.

Environmental Projects in 2013

In 2013, the Company continued the implementation of projects in the area of environmental protection directed towards the modernization of equipment and the reduction of the emission of pollutants, remediation and recultivation of polluted locations (historical pollution), monitoring the environmental situation, etc, and allotted significant funds for the achievement of these objectives.

Total 2013 investments in the implementation of environmental protection projects amounted to RSD 2.1 bln, which is 62% higher than the planned investments for 2013. During 2013, investments in projects with direct influence on the reduction of environmental pollution, which are not regarded as environmental projects were continued (e.g. gas station reconstruction, cogeneration facilities (power plants) construction, construction of the amine facility for CO2 extraction from natural gas in the Elemir Oil and Gas Preparation and Transport Unit).

Current expenses for environmental protection amount to RSD 565 million.
Environmental Projects Completed in 2013

In 2013, some of the projects started in the previous years were completed. Significant numbers of environmental projects are in progress and their implementation will improve the environmental situation.

In 2013, the Company purchased a mobile unit for tank cleaning and oil sediment and oil-contaminated soil treatment, whereby the quantity of oil-contaminated waste was significantly reduced, which further decreased the costs of treatment of oil-contaminated waste and contributed to the significant reduction in the space necessary for waste disposal. Through the treatment of oil sediment, more than 60% of crude oil can be separated, which is then returned into the refining process; therefore, from the economic perspective, this is also an investment whose ROI period is shorter than two years.

The „Refinery“ Block successfully implemented projects ensuring a significant reduction in the emission of pollutants into the air, water and soil.

The reconstruction of the „FCC“ facility and the installation of modern equipment in the Pančevo Oil Refinery contributed to the reduction in the emission of solid particles into the atmosphere. NIS completed the Project of Construction of Closed System of Drainage and Leak-off from Flare Tanks and Gas Meter FA -1000, which reduced the emission of solid particles into the atmosphere.

The implementation of the project of the reconstruction and modernization of the Pier at the Pančevo Oil Refinery will significantly eliminate the evaporation of pollutants into the atmosphere (diffusive emissions). New loading arms, which have been installed in all loading areas on the Pier, are a part of the system for reliable loading and are connected with the vapour recovery units.

In 2013, the reconstruction of gas stations was continued, and included the installation of double-sheath tanks, separators of oil-contaminated waste waters, a 1st stage gasoline vapour collection system, all in accordance with the state-of-the-art European standards. This project removes health risks threatening employees and the local population and removes the possibility of potential underground waters pollution.

Environmental Projects Initiated in 2013

The objective of projects initiated in 2013 is the reduction of negative influences on the environment, as well as the achievement of significant financial savings. The Pančevo Oil Refinery started a project of modernization of installations for loading and unloading of bitumen in railway and road-vehicle loading facilities, for the incineration of waste gases from tanks and the installation of radar blenders and temperature probes on the tanks. Upon the completion of the project, loading areas in the bitumen filling facility will be modernized and equipped with loading arms which will ensure the gas stage return, as well as the control of filling levels of the tank trucks ready for dispatch. Reduction in the emission of pollutants into the air is expected. The modernization of installations will increase the level of fire safety, as well.

The project of construction of a closed draining system from facilities (S-100/300/400/500/2100/2500/2400/2500/2600) at the Pančevo Oil Refinery will enable direct transportation of hydrocarbons to the stop tank, which reduces the emission of toxic gases into the atmosphere. After project implementation, the API separators load will be alleviated, which will reduce the consumption of chemicals used for the separation of water from hydrocarbons, as well as alleviate the load of the waste-water intended for treatment, which further reduces the costs of its treatment.

Environmental Projects Completed in 2013

<table>
<thead>
<tr>
<th>Year</th>
<th>Air Protection</th>
<th>Waste Water Management</th>
<th>Waste Management</th>
<th>Protection and Rehabilitation of Soil and Waters</th>
<th>Noise Protection</th>
<th>Noise and Vibrations Protection</th>
<th>Other Environmental Protection Activities</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>26,307</td>
<td>1,922</td>
<td>19,226</td>
<td>31,839</td>
<td>4,336</td>
<td>-</td>
<td>275,723</td>
<td>359,433</td>
</tr>
</tbody>
</table>

Reconstruction of the FCC plant with installation of modern equipment and filters in the Pančevo Oil Refinery has contributed to a reduction in solid particle emissions into the atmosphere.

Crude Oil Review – Domestic and Imported by Type:

<table>
<thead>
<tr>
<th>No.</th>
<th>Raw Materials</th>
<th>MU</th>
<th>Qty Used</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>2012</td>
</tr>
<tr>
<td>1.</td>
<td>Crude Oil – Domestic</td>
<td>t</td>
<td>1,135,902</td>
</tr>
<tr>
<td>2.</td>
<td>Crude Oil – Imported</td>
<td>t</td>
<td>1,028,406</td>
</tr>
<tr>
<td>3.</td>
<td>Natural Gas</td>
<td>m³</td>
<td>23,938</td>
</tr>
<tr>
<td>4.</td>
<td>Geothermal Water</td>
<td>m³</td>
<td>673,023</td>
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<td>Raw Water</td>
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<td>Crude Oil – Paraffinic, Heavy</td>
<td>t</td>
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</tr>
<tr>
<td>3.</td>
<td>Crude Oil – Naphthenic</td>
<td>t</td>
<td>101,526</td>
</tr>
<tr>
<td>4.</td>
<td>SLOP – Domestic Oil Mix from the Novi Sad Oil Refinery</td>
<td>t</td>
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</tr>
<tr>
<td>5.</td>
<td>Crude Oil REB</td>
<td>t</td>
<td>97,312</td>
</tr>
<tr>
<td>6.</td>
<td>Crude Oil ES SIDER</td>
<td>t</td>
<td>302,018</td>
</tr>
<tr>
<td>7.</td>
<td>Crude Oil SYRIAN LIGHT CRUDE OIL</td>
<td>t</td>
<td>110,424</td>
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Materials Used

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The vehicle loading facility project, which includes the installation of a system for tank truck bottom loading, is an investment in environmental protection which eliminates the emission of pollutants into the atmosphere during loading of oil derivatives into tank trucks – through the installations of vapour return units.

### Materials Used

In 2013, the following materials were used in the work process:

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## Energy Consumption

Direct energy consumption in the production of electricity, natural gas and other energy sources in the form of steam, heat and geothermal energy is significant. However, the focus is on the consumption of energy in the form of heat, particularly the consumption of electricity from thermal power plants.

With a view to achieving sustainability, NIS diverts its efforts towards the use of non-renewable sources of energy, by expanding the use of cogeneration power plants, so that the production of electricity and heating energy can be achieved through the use of waste associated gas. NIS focuses on the production of renewable energy from renewable sources. The Company is investing in the construction of wind parks in the Plandiste municipality and the construction of cogeneration power plants, with a focus on the use of waste associated gas and the use of geothermal energy. NIS has been active in the construction of wind parks, with a significant contribution to the green energy consumption in the region.

### Total consumption of different fuels amounts to

<table>
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<tr>
<th>Source of Energy</th>
<th>MJ</th>
<th>IP</th>
<th>RNP</th>
<th>RNS</th>
<th>PRO</th>
<th>SER</th>
<th>JAZ</th>
<th>PC</th>
<th>ENE</th>
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<td>910</td>
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<td>31,233</td>
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<td>2012</td>
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<td>73</td>
<td>0</td>
<td>84,721,930</td>
<td>437,018,895</td>
<td></td>
</tr>
</tbody>
</table>

The total consumption of energy in 2013 amounted to 30.9 million GJ.

## Pollutant Emissions

### Emission of Greenhouse Gases

Recognizing the impact of its activities on climate changes and the environment, NIS has implemented a proactive strategy for the reduction of greenhouse gases emissions. The Company is focused on the implementation of projects of modernization of the Pancevo Oil Refinery, as well as on other environmental projects. NIS is focused on the creation of a proactive strategy for the reduction and control of greenhouse gases emissions. With a view to preparing for the future implementation of the Directive 2003/87/EC of the European Parliament and the Council establishing a scheme for greenhouse gas emission allowance trading and Directive 2009/27/EC amending Directive 2003/87/EC in order to improve and expand the greenhouse gas emission allowance trading scheme, a CO2 Emitter Register was prepared in 2011. NIS actively participates in the operation of the task force for the implementation of the project „Establishment of a Monitoring, Reporting and Verification System Necessary for Efficient Implementation of the Emissions Trade System with EU Countries“.

Construction commenced of an amine facility for the separation of CO2 from natural gas in the Elemir Unit for the Preparation and Transport of Oil and Oil Derivatives. The objective of the project is to extract CO2 from natural gas recovered from reserves located at a distance of 10 to 30 km away from the Elemenr Unit for the Preparation and Transport of Oil and Gas, from which CO2 is obtained as a by-product of the process of purification of natural gas. The adopted technology is the best available technique for the separation of CO2 from natural gas. The separated CO2 will not be discharged into the atmosphere, but will be compressed and re-injected into the Rusanda reservoir, which will increase the level of exploration of the said reservoir and will resolve the issue of separation of CO2 from the natural gas in an environmentally optimal manner.

### Emissions of Pollutants into the Air

Emissions of pollutants sent by NIS facilities into the atmosphere are mostly related to the operation of processing units and boiler facilities. The most significant and largest emitters are the facilities of the Energy Block, boilers at Pancevo and Novi Sad power plants, as well as the processing facilities of the Refinery Block.

### Implementation of Environmental Projects in 2013 has significant impact on the further reduction of emissions of pollutants into the air
In 2013, boilers in the Energy Block and processing facilities of the Refinery Block at Pancevo Oil refinery used natural gas as fuel. Results of the emission of pollutants into the atmosphere in 2013 only confirmed the advantages of natural gas as a fuel in comparison with fuel oil. Apart from that, the implementation of environmental projects in 2013 had significant influence on the further reduction in the emissions of pollutants into the air; plus, one must not forget the fact that facilities at the Novi Sad Refinery did not work in 2013.

In the upcoming period, one can expect a reduction in the emissions of pollutants into the air since a reconstruction of boilers in the Energy Block at Novi Sad Oil Refinery is planned.

### Waste Management

NIS regulates hazardous and non-hazardous waste management through its internal regulations (standards and instructions), which are compliant with the regulations of the Republic of Serbia and the EU Directives. These internal regulations enhance the sustainable waste management system, i.e. waste generation monitoring, temporary storage of waste at a location until it is handed over for disposal to operators holding permits for waste management issued by the competent authorities.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
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</tr>
</thead>
<tbody>
<tr>
<td>Exploration and Production</td>
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<td>84</td>
<td>66</td>
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<tr>
<td></td>
<td>Hazardous</td>
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<td>73</td>
<td>13</td>
<td>768</td>
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<td></td>
<td>Total</td>
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<td>157</td>
<td>78</td>
<td>821</td>
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<td>Sales and Distribution</td>
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<td>66</td>
<td>66</td>
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<tr>
<td></td>
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</tr>
<tr>
<td></td>
<td>Total</td>
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<tr>
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<td>1,322</td>
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<td>2,466</td>
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<td>1,400</td>
<td>1,114</td>
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<td>1,630</td>
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<td>Non-Hazardous</td>
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<td>537</td>
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<td>Hazardous</td>
<td>85</td>
<td>115</td>
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<td>32</td>
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<tr>
<td></td>
<td>Total</td>
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<td>652</td>
<td>862</td>
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<td>Business Centre</td>
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<td>8</td>
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<tr>
<td></td>
<td>Total</td>
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<tr>
<td>Jazak</td>
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<td>19</td>
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<td>Hazardous</td>
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</tr>
<tr>
<td></td>
<td>Total</td>
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<td>14</td>
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<td>20</td>
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<td>NIS TOTAL</td>
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<td>5,140</td>
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<td>Total</td>
<td>1,736</td>
<td>8,853</td>
<td>7,346</td>
<td>3,246</td>
</tr>
</tbody>
</table>

Monitoring of generation and disposal of waste is performed daily for each type of waste through the Daily Waste Records kept by the waste generator, whereas total quantities of the generated and disposed-of waste (hazardous and non-hazardous) are reported to the Environmental Protection Agency through their information system.

In 2015, an increase in the generation of both hazardous and non-hazardous waste occurred due to the commissioning of new facilities, especially the MHC/DHT, as well as the overhaul activities in NIS facilities. The planned maintenance, tank and separator cleaning, as well as the cleaning of the oil drainage system, caused an increase in the generation of hazardous waste, mostly deposits, sludge and dregs.

### Mega Macs

In Pancevo Oil Refinery in 2013, a mobile unit for the treatment of oil-contaminated soil and oil sediment in the „Mega Macs” tanks was commissioned. The available capacity of the unit allows it to process 5 to 7 m³ of oil sediment per hour, which practically means that refinery tanks with the highest degree of sediment can be cleaned in not more than ten days on average. This job used to be done manually, and...
employees who cleaned the inside of the tank worked with face masks and wore special protective suits. Also, tanks used to be opened in several places and the drying period took a long time, which all increased the emission of hazardous vapours into the atmosphere. With the new „Mega Macs“ facility, the drying time is much shorter, and there is no need for employees to enter the tanks to clean them because the facility is operated from outside the tank at all stages of tank cleaning. These are, without doubt, environmental advantages of this investment, whose value was approximately four million USD. Apart from that, the processing of oil sediment recovers more than 60% of crude oil which is returned to the refining process; therefore, from the economic point of view, this is an investment with an ROI period shorter than 2 years.

Water Resources Consumption

Water supplies are provided to NIS from the following sources:

- Surface waters
- Underground waters
- Waters from public water systems and
- Mineral waters (as raw materials which are bottled in the «Jazak» drinking water production unit)

The total quantity of the captured water in 2013 was 3,948,564 m³, which was 25% more than in 2012, when it was 3,161,252 m³.

<table>
<thead>
<tr>
<th>Captured Water Review (m³)</th>
<th>2012</th>
<th>2013</th>
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</thead>
<tbody>
<tr>
<td>River Water Intake</td>
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<td>City Plumbing</td>
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<td>578,951</td>
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<td>Underground Waters</td>
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<td>273,476</td>
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<td><strong>Total Captured Water</strong></td>
<td><strong>3,161,252</strong></td>
<td><strong>3,948,564</strong></td>
</tr>
</tbody>
</table>

The intake of waters from the Danube and the DTD canal does not jeopardize their potential, since these are high-flow water courses.

An increase in the total quantity of the captured water was caused by the increase in the quantity of water captured from the Danube (by 880,000 m³) and from the Pancevo public water system (by 32,400 m³) due to the needs of the new group of facilities constructed during the modernization (MHC/ DHT) at the Pancevo Oil Refinery. The operation of these facilities requires a significant quantity of cooling water, which evaporates from the open cooling system. This is the reason why the increase in the captured water is about four times higher than the increase in the quantity of waste water discharged at the Pancevo Oil Refinery in 2013. Upon the interruption of the operation of certain parts of the Novi Sad Oil Refinery, the quantity of water taken from the public water system in Novi Sad was reduced by about 45,500 m³ in comparison with the previous year. There were no significant changes in the quantity of the captured water in other organizational units.

According to origin, the structure of the water captured in the last three years can be presented graphically in the following manner:

The ratio of the water captured from water intakes, city water systems and underground resources in 2013 was identical to the one in the previous years. The fact that more than ¾ of the total quantity of water used comes from surface waters – the Danube and the Danube-Tisa-Danube canal (DTD) – indicates responsible consumption of water resources, since the major part of the water used comes from the least sensitive water resource. By capturing the waters of the Danube and the DTD canal, their potential is not jeopardized, since these are water courses with high flow rates.

An increase in the awareness of the necessity of rational use of water resources contributed to the con-
A responsible attitude to the water resources is reflected in the fact that a significant quantity of water is saved due to the return of condensate. The quantity of the returned condensate into the Unit for Chemical Preparation of Water at the Pancevo Oil Refinery in 2013 was 1,274,356 tons.

In this manner, the consumption, faster repair of failures on the distribution system and pipelines; also, the inspection of tightness using hydrotests also caused an increase in the volume of waste waters in comparison with 2012. Other organizational units have not recorded any changes.

Waste water treatment has been improved at the Pancevo Oil Refinery through reconstruction of the facility for waste water treatment. By covering the API separator, the emission of pollutants into the air was reduced.

In 2013, separators of oil-contaminated waste waters were installed at 32 gas stations, which means that 227 gas stations (71% of the total number of NIS gas stations) are equipped with the system for the treatment of oil-contaminated atmospheric waters. Installation will be continued at other gas stations in accordance with the plan of the Sales and Distribution Block.

Of the waste waters which are treated, almost a half – industrial waste waters from the Pancevo Oil refinery – are treated externally, at the Waste Water Factory at HIP Petrohemija in Pancevo. Other waste waters are discharged into the sewers and watercourses after treatment.

The total quantity of the discharged waste waters in comparison with 2012 saw a slight-increasing trend in comparison to the previous year. In comparison to 2012, the Pancevo Oil Refinery recorded a slight increase in the quantity of waste waters due to the commissioning of new units of the GP4 system. At the Novi Sad Oil Refinery, the Company performed reconstructions of the tank, the fire safety

The quantity and mode of disposal of produced layer water (reservoir water)

Layer or reservoir waters appear during oil and gas production and in case of mining works in wells, and may include pollutants which might have adverse effects on the environmental media, such as salts, hydrocarbons and heavy metals, which are all present in the hydrocarbon reservoir in the normal circumstances.

The disposal of layer water in the Company is performed by injecting it using the system for the preparation and injection of layer water. Before it is injected into the wells, layer water is purified so that all hydrocarbons, suspended substances and dissolved gases are removed.

Layer water is currently injected in «Severni Banat», «Srednji Banat» and “Backa” facilities in the total number of 59 wells selected for this activity, and in 2013, the total quantity of layer water injected into wells amounted to 4,557,324 tons.
In 2013, a new method was introduced, and it is expected that by the end of 2014, all drilling rigs used in NIS will be equipped with metal or concrete pools (applying the „Dry Location” principle) where waste mud materials will be disposed of. In that manner, any hazardous effects of waste mud materials onto the soil, i.e. their blending with the soil would be prevented (waste mud will be disposed of during or immediately upon the completion of drilling). Also, as a part of the same project, it is expected that a major part of the drilling rigs will be equipped with the so-called „Floculation Systems” – „Dewatering systems”, which will reduce the quantity of rejected materials by purifying and returning the used mud from the liquid phase into the process, which will allow for up to 60 %.

Contaminated Soil Recovery

Activities on the recovery of the contaminated soil generated during NIS activities at the oil and oil derivatives production and sale and distribution stages, also continued during 2013. The recovery process includes the separation of the liquid part (oil), which is returned into the production system, whereas the rest of the sludge undergoes bioremediation.

In the Exploration and Production Block, as of the beginning of implementation of the project of blending biocomponents with diesel fuels at Pancevo Oil Refinery in less than four months. In this period, installations for the receipt of biodiesel and production of Euro diesel blended with biodiesel were installed, all necessary infrastructure was provided, as well as laboratory equipment for product quality examination.

In 2013, NIS imported 143.64 tons of biofuel based on ETBE (bio-ethanol based biofuel) based on agricultural waste (soy straw, corn remnants, wheat straw). If the results of the previous Feasibility Study for the Production of Bioethanol are satisfactory, numerous benefits should be expected (reduction of the dependency on oil and gas import, high export possibilities, exploiting abandoned land, potential for rural development). The Company can expect to decrease its dependency on the FAME procurement and to eliminate FAME-related quality issues. The objective of the prospective introduction of ETBE is the replacement of bioethanol in gasoline. ETBE can be added in higher concentrations to gasoline, increasing, thus, the level of fuels from renewable sources in motor fuels.

The production and marketing of biofuels is one of the key areas of the NIS strategy (the plans are to blend biocomponents into Euro diesel in the concentration of 3 vol% as of Jan. 1, 2015, with the gradual increase in the said concentration up to the maximum of 6 vol% by Jan. 1, 2020). This reduces the influence of the Company’s activities on the environment through the reduction of greenhouse gases and the production of energy from renewable sources, plus, all sustainability criteria are met.

In 2013, NIS imported 143.64 tons of biofuel produced at Pancevo Oil Refinery has up to 7% of biocomponents, while the remaining part is Euro diesel.

Biodiesel (FAME) is a I generation fuel because production is based on competitive raw nutritive materials. NIS is considering the production of II generation biofuel based on ETBE (bio-ethanol based biodiesel) on the sludge and corn remnants. If the results of the previous Feasibility Study for the Production of Bioethanol are satisfactory, numerous benefits should be expected (reduction of the dependency on oil and gas import, high export possibilities, exploiting abandoned land, potential for rural development). The Company can expect to decrease its dependency on the FAME procurement and to eliminate FAME-related quality issues. The objective of the prospective introduction of ETBE is the replacement of bioethanol in gasoline. ETBE can be added in higher concentrations to gasoline, increasing, thus, the level of fuels from renewable sources in motor fuels.

The production of Euro diesel blended with biodiesel at Pancevo Oil Refinery is the Company’s contribution to the European integrations of Serbia and is in accordance with the EU Directives requiring all fuel producers to blend biofuels in petroleum diesel.
member states to provide the minimum contents of biodiesel and other renewable fuels on their domestic markets (Agreement on Energy Community of SEE Countries concluded in 2006 specifying the obligation of the Republic of Serbia to increase the share of renewable sources in the total energy consumption from 21% to 27% by 2020 and to implement Directive 2003/30/EC of the European Parliament and the Council for the promotion of biofuels or other fuels from renewable energy sources in the transport sector).

Environmental Accidents

In the area of industrial safety, NIS aims to gradually reduce the number of accidents, work-related injuries and professional illnesses. In 2013, the Company registered 89 environmental accidents, which was 16% more than in 2012, when 75 environmental accidents were registered. In most cases, these were minor events which included spillage of materials for oil pipelines during the handling process, which were mostly caused by technical issues and the condition of the equipment, and their consequences were immediately removed.

Most environmental accidents recorded in 2013 (94%) were classified as minor in terms of gravity, whereas 5 events were classified as medium gravity (6%). There were no events classified as major. According to the type of accident, in most cases, these were events of oil and oil derivatives spilling into the soil (62 accidents), as well as emission of gases (16 accidents).

The total spilled volume was increased from 65.39 m³ in 2012 to 134.71 m³ in 2013, which was the consequence of deteriorated oil pipelines, whose perforations were the most frequent cause of the accidental spillage of pollutants. All environmental accidents were successfully remediated.

In order to react efficiently in accidental situations, last year the Company acquired a vehicle with modern equipment for the remediation of accidental spillage of pollutants in the Refinery. The vehicle was intended for the remediation and collection of oil and oil derivatives from oil-contaminated surfaces.

<table>
<thead>
<tr>
<th>Type of Event</th>
<th>Number of Spillages</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil or Derivatives Spillage – Soil</td>
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</tr>
<tr>
<td>Oil or Derivatives Spillage – Water</td>
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</tr>
<tr>
<td>Waste Water Spillage – Soil</td>
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<tr>
<td>Waste Water Spillage – Water</td>
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<td>0</td>
</tr>
<tr>
<td>Chemicals Spillage (Process) – Soil</td>
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<td>2</td>
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<td>Chemicals Spillage (Process) – Water</td>
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<tr>
<td>Chemicals Spillage (Outside the Process) – Soil</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Chemicals Spillage (Outside the Process) – Water</td>
<td>0</td>
<td>0</td>
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<tr>
<td>Gas Emissions</td>
<td>16</td>
<td>18</td>
</tr>
<tr>
<td>Other</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>NIS</td>
<td>89</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Causes of Environmental Events</th>
<th>Number of Events</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil Pipeline Perforation</td>
<td>31</td>
<td>33</td>
</tr>
<tr>
<td>Gas Pipeline Perforation</td>
<td>10</td>
<td>11</td>
</tr>
<tr>
<td>Pertaining Ducts Perforation</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Damage of Structural Objects</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Work Activities – Failure or Break-Down</td>
<td>8</td>
<td>9</td>
</tr>
<tr>
<td>Work Activities – Human Factor</td>
<td>19</td>
<td>21</td>
</tr>
<tr>
<td>Technological Failure or Break-Down – Process</td>
<td>11</td>
<td>12</td>
</tr>
<tr>
<td>Other</td>
<td>6</td>
<td>7</td>
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<tr>
<td>Total</td>
<td>89</td>
<td>100</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Quantity of Spilled Materials (m³)</th>
<th>2013</th>
</tr>
</thead>
<tbody>
<tr>
<td>Refinery</td>
<td>16.42</td>
</tr>
<tr>
<td>Sales and Distribution</td>
<td>24.08</td>
</tr>
<tr>
<td>Exploration and Production</td>
<td>91.89</td>
</tr>
<tr>
<td>Services</td>
<td>2.31</td>
</tr>
<tr>
<td>Energy</td>
<td>0.01</td>
</tr>
<tr>
<td>Total</td>
<td>134.71</td>
</tr>
</tbody>
</table>
Exploration and Exploitation of Renewable Source Energy

One of the key areas in the NIS strategy is the development of alternative energy sources, with the main objectives being environmental preservation and sustainable development.

Plandiste Windpark

In 2013, work on the construction of the first windpark in Serbia was initiated in the municipality of Plandiste. 34 wind generators will be erected on the territory of this municipality, with a total capacity of 102 mega-Watts. Plandiste windpark will produce at least 212 GWh of electricity per annum, while the emission of greenhouse gases into the atmosphere will be significantly reduced. The first high-technology windpark in Serbia will contribute to compliance with the norms of the European energy policies and will increase the share of green, ecologically clean energy in the national energy balance.

The production of electricity from renewable sources reduces environmental risks.

Cogeneration Power Plants

In 2013, the Company started implementing its cogeneration project, as a pilot testing the production of compressed natural gas (CNG) on Palic. At an opening ceremony of a small cogeneration plant at the collection and dispatch station „Sirakov“ in the municipality of Veliko Gradiste, NIS started its long-term program of efficient exploitation of Company gas resources. The current technical loss of diluted gas on oil fields will be transformed into electricity and heating energy. Heat produced in this way will be used to cover the needs of the well infrastructure (heating oil tanks), while electricity will be supplied to external users, i.e. sold to EPS at advantageous prices adopted by the Serbian Government. So far, the total number of four cogenerators with the total power of 4 MW were commissioned, with plans to commission 7 more units with the total power of 8.3 MW by the end of the year. For the next year, the Company plans a cogeneration plant at the Novi Sad Oil Refinery with the total power of 8 MW, as well as a 5MW power plant on the Ostrovo gas field, which has not been commissioned yet due to the sub-standard quality of gas there.

CHP Plant Pancevo

With a view to increasing the efficiency of exploitation of commercial gas by the Company, as well as of the reliability and efficiency of supplying the Pancevo Oil Refinery with electricity, the Company started to prepare for the implementation of the project of construction of CHP Plant Pancevo. Electricity and heating energy produced in the thermal power plant will supply the Pancevo Oil Refinery, first of all. It is planned that the remaining quantities of electricity will be sold on the Serbian energy market, which will be fully liberated, according to expectations, early in 2015. The construction of a thermal power plant based on the technology of a steam and gas cycle is economically and environmentally the most efficient solution. This technology provides a high ratio of useful operation and low fuel consumption, which will ensure a reduction in the costs of procurement of electricity for the NIS Refinery.
MID-TERM PLANS

Actualization and implementation of the NIS developmental strategy by 2030

Increasing operational efficiency in all parts of the Company and all business directions

Beginning of implementation of a number of major long-term projects:

- Developing reservoirs with hard-to-recover reserves, maintaining reservoir pressure by injecting water into the reservoir with a view to maximising the recovery of oil, positioning and installation of a mobile compressor and automatic measuring unit in wells
- Development and modernization of refinery operations – deep core refining project, production automation and management, reconstruction of the vehicle-loading facility, construction of a closed production sampling system, construction of a closed draining system, reduction of NOx in flue gases from the Power Plant, temporary storage of hazardous waste and recovery and separation of oil and atmospheric draining system at Pancevo Oil Refinery
- Development of the retail network and improving the quality of products and services – installing separators at all gas stations, introducing branded G-DRIVE 100-octane gasoline and ULTRA D diesel
- The project of distant heating of Kikinda using geothermal water
- Project of construction of compressed natural gas dispensers at gas stations
- Construction of a 5MW power plant for the production of electricity from gas
- Opening «Plandiste» – the first windpark in Serbia
- Construction of a steam and gas TPP in Pancevo (CHP Pancevo)
- Construction of a steam and gas TPP in Pancevo (CHP Pancevo)
- Continuing the implementation of examples of international best practice in HSE, most of all, in the segment of raising HSE competences of employees and contractors, further reduction of adverse events, implementation of industrial safety management system, development of a sustainable response system in special situations and implementation of technological solutions for sustainable waste and emission management
- Continuing the implementation of international best practices in the HR segment, most of all in the area of best-candidate recruiting, keeping the most successful employees and their long-term development
- Implementation of the brand strategy by 2020
- Adoption and implementation of the NIS sustainable development strategy
GRI INDICATORS

Profile Description Status Page

Strategy and Analysis

1.1 Statement of the Most Senior Decision Maker in the Organization ● RSD p. 4-5
1.2 Description of key impacts, risks and possibilities ● AR p. 79-83

Organisation GRI INDICATORS

2.1 Name of the Organization ● RSD p. 116; AR p. 27
2.2 Main brands, products, and/or services ● AR p. 32
2.3 Operational organisation structure, incl. main organization units ● AR p. 27-29; 128-144
2.4 Organization HQ ● RSD p. 14; AR p. 28
2.5 Number of countries in which the organization operates ● RSD p. 15
2.6 Nature of ownership and form of public property ● RSD p. 33-34; AR p. 114-117
2.7 Markets in which the company operates ● RSD p. 15
2.8 Scope of the reporting organization ● RSD p. 6-8; AR p. 87
2.9 Significant changes in reporting period ● AR p. 114-115
2.10 Awards received in the reporting period ● RSD p. 22

Report Parameters

3.1 Reporting Period ● RSD p. 6-8
3.2 Date of publication of the last report ● RSD p. 6-8

Profile Description Status Page

3.3 Reporting cycle ● RSD p. 6-8
3.4 Contact details for all issues related to the report or its contents ● RSD p. 116
3.5 Reporting methodology and procedure of defining report contents ● RSD p. 6-8
3.6 Reporting scope ● RSD p. 6-8
3.7 Scope limitations or reporting scope ● RSD p. 6-8
3.8 Basis for reporting on joint companies ● RSD p. 6-8
3.9 Data measurement techniques and basis for calculations on which assessments are based ● RSD p. 6-8
3.10 Explain possible corrections of data from the previous report ● RSD p. 6-8
3.11 Significant changes in comparison to previous reporting periods ● RSD p. 6-8
3.12 GRI Indicators ● RSD p. 106-111
3.13 Auditor’s Report ● RSD p. 114-115

Management, liabilities and involvement of stakeholders

4.1 Management structure of the organization ● RSD p. 20-21; AR p. 35-39
4.2 Mention whether the Manager of the highest managerial body is CEO at the same time ● RSD p. 20-21; AR p. 35-40
4.3 For organizations with unique structure of corporate management, state number and gender structure of the highest management body members ● AR p. 43-49
4.4 Procedures of the highest managerial body for supervision of economic, environmental and social performance of the organization ● RSD p. 23-27
4.5 Interconnections between compensations for members of the highest management body, top management and business results of the organization ● AR p. 43-49; CGC p. 8-9
4.6 Procedures for preventing conflicts of interests ● CGC p. 17
4.7 Procedures for appointing members of management bodies ● CGC p. 2-14
4.8 Company mission, vision and values ● CGC p. 16-17
4.9 Procedures of the highest managerial body for supervision of economic, environmental and social performance of the organization ● CGC p. 12-14
<table>
<thead>
<tr>
<th>Profile</th>
<th>Description</th>
<th>Status</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>4.10</td>
<td>Processes for own results evaluation of the highest managerial body</td>
<td>AR</td>
<td>p. 35-70</td>
</tr>
<tr>
<td>4.11</td>
<td>Risk Management</td>
<td>AR</td>
<td>p. 79-83</td>
</tr>
<tr>
<td>4.12</td>
<td>Externally created economic, environmental and social agreements, principles or other initiatives that the organization is obliged to observe or which it complies with</td>
<td>RSD</td>
<td>p. 22-23</td>
</tr>
<tr>
<td>4.13</td>
<td>Membership in associations</td>
<td>RSD</td>
<td>p. 23</td>
</tr>
<tr>
<td>4.14</td>
<td>List of stakeholders</td>
<td>RSD</td>
<td>p. 23</td>
</tr>
<tr>
<td>4.15</td>
<td>Basis for identification and selection of stakeholders</td>
<td>RSD</td>
<td>p. 23-27</td>
</tr>
<tr>
<td>4.16</td>
<td>Attitude towards the engagement of stakeholders</td>
<td>RSD</td>
<td>p. 23-27</td>
</tr>
<tr>
<td>4.17</td>
<td>Key issues emerging from stakeholder engagement</td>
<td>RSD</td>
<td>p. 7</td>
</tr>
</tbody>
</table>

**AREAS AND INDICATORS**

**Economy**

<table>
<thead>
<tr>
<th>EC1</th>
<th>Directly generated and distributed economic value</th>
<th>RSD</th>
<th>p. 33</th>
</tr>
</thead>
<tbody>
<tr>
<td>EC4</td>
<td>Significant Government financial aid</td>
<td>RSD</td>
<td>p. 58</td>
</tr>
<tr>
<td>EC5</td>
<td>Relation between minimum wage in the company and legally prescribed minimum wage on significant locations</td>
<td>RSD</td>
<td>p. 60</td>
</tr>
<tr>
<td>EC6</td>
<td>Policies, practice and proportions of spending on local suppliers at important work locations</td>
<td>RSD</td>
<td>p. 37</td>
</tr>
<tr>
<td>EC8</td>
<td>Development and impact of infrastructural investments and service provision for public benefit</td>
<td>RSD</td>
<td>p. 76-81</td>
</tr>
</tbody>
</table>

**Environment**

<table>
<thead>
<tr>
<th>EN1</th>
<th>Materials used</th>
<th>RSD</th>
<th>p. 89</th>
</tr>
</thead>
<tbody>
<tr>
<td>EN3</td>
<td>Direct energy consumption by primary energy source</td>
<td>RSD</td>
<td>p. 90</td>
</tr>
<tr>
<td>EN4</td>
<td>Indirect energy consumption by primary energy source</td>
<td>RSD</td>
<td>p. 90</td>
</tr>
<tr>
<td>EN8</td>
<td>Total water consumption</td>
<td>RSD</td>
<td>p. 94</td>
</tr>
<tr>
<td>EN9</td>
<td>Water sources significantly influenced by water consumption</td>
<td>RSD</td>
<td>p. 95</td>
</tr>
<tr>
<td>EN10</td>
<td>Total recycled water</td>
<td>RSD</td>
<td>p. 96</td>
</tr>
</tbody>
</table>

**Labour Practice**

<table>
<thead>
<tr>
<th>LA1</th>
<th>Total labour force by type of employment, gender structure</th>
<th>RSD</th>
<th>p. 51</th>
</tr>
</thead>
<tbody>
<tr>
<td>LA2</td>
<td>Total number and rate of recruiting new employees and rate of employment termination by the employees, per age group, gender and region</td>
<td>RSD</td>
<td>p. 54</td>
</tr>
<tr>
<td>LA3</td>
<td>Benefits guaranteed to full-time employees</td>
<td>RSD</td>
<td>p. 57</td>
</tr>
<tr>
<td>LA15</td>
<td>Return to job and rate of staying after maternity leave, per gender</td>
<td>RSD</td>
<td>p. 55</td>
</tr>
<tr>
<td>LA4</td>
<td>Percentage of employees included in collective bargains</td>
<td>RSD</td>
<td>p. 57</td>
</tr>
<tr>
<td>LA5</td>
<td>Minimal notice period for important business changes, including the information as to whether it is defined by collective agreement or not</td>
<td>RSD</td>
<td>p. 56</td>
</tr>
<tr>
<td>LA6</td>
<td>Total percentage of employees who participate in official committees for occupational health and safety</td>
<td>RSD</td>
<td>p. 66</td>
</tr>
<tr>
<td>LA7</td>
<td>Rate of injuries, professional illness, lost working days and absence from work</td>
<td>RSD</td>
<td>p. 64</td>
</tr>
<tr>
<td>LA9</td>
<td>Issues of occupational health and safety regulated by official agreements with trade unions</td>
<td>RSD</td>
<td>p. 56</td>
</tr>
<tr>
<td>LA12</td>
<td>Percentage of employees who are regularly subject to evaluation and assessment of professional development</td>
<td>RSD</td>
<td>p. 60</td>
</tr>
<tr>
<td>LA13</td>
<td>Structure of managerial bodies and structure of employees according to categories, gender, age, minority groups etc</td>
<td>RSD</td>
<td>p. 21</td>
</tr>
<tr>
<td>LA14</td>
<td>Relation between base salary of women and men per employee category</td>
<td>RSD</td>
<td>p. 60</td>
</tr>
</tbody>
</table>

**Human Rights**

| HR4     | Total number of discrimination cases and collective measures taken                                                                                                                                          | RSD          | p. 50        |
## GRI Indicators

<table>
<thead>
<tr>
<th>Profile</th>
<th>Description</th>
<th>Status</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>HR5</td>
<td>Identified activities and key suppliers for which there is a possibility of violation of rights of association and collective negotiation</td>
<td>●</td>
<td>RSD p. 56</td>
</tr>
<tr>
<td>HR6</td>
<td>Activities and key suppliers for which it has been determined that there is a significant risk from occurrence of incidents, use of child labor and measures taken for elimination of child labor</td>
<td>●</td>
<td>RSD p. 51</td>
</tr>
<tr>
<td>HR9</td>
<td>Total number of cases of violation of rights of natives and measures taken</td>
<td>●</td>
<td>RSD p. 111</td>
</tr>
</tbody>
</table>

## Society

<table>
<thead>
<tr>
<th>Profile</th>
<th>Description</th>
<th>Status</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>SO2</td>
<td>Percentage and total number of business units in which corruption risk review has been conducted</td>
<td>●</td>
<td>RSD p. 39-40</td>
</tr>
<tr>
<td>SO3</td>
<td>Percentage of employees who are trained in anti-corruption policy and procedures of the organization</td>
<td>●</td>
<td>RSD p. 39-40</td>
</tr>
<tr>
<td>SO4</td>
<td>Measures taken as a response to corruption cases</td>
<td>●</td>
<td>RSD p. 39-40</td>
</tr>
<tr>
<td>SO5</td>
<td>Public policy positions and participation in the development of public policies and lobbying</td>
<td>●</td>
<td>RSD p. 24</td>
</tr>
<tr>
<td>SO6</td>
<td>Total value of financial contribution in material goods to political parties, politicians and pertaining institutions by the state</td>
<td>●</td>
<td>RSD p. 72</td>
</tr>
<tr>
<td>SO7</td>
<td>Total number of legal actions due to anti-Competition behaviour, anti-monopoly actions</td>
<td>●</td>
<td>RSD p. 111</td>
</tr>
</tbody>
</table>

## Responsibility for Product

<table>
<thead>
<tr>
<th>Profile</th>
<th>Description</th>
<th>Status</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>PR2</td>
<td>Noncompliance with regulations and voluntary codes related to impact of products and services on health and safety during their life cycle</td>
<td>●</td>
<td>RSD p. 32</td>
</tr>
<tr>
<td>PR4</td>
<td>Noncompliance with regulations and voluntary codes regarding products and services information and labelling</td>
<td>●</td>
<td>RSD p. 39</td>
</tr>
<tr>
<td>PR5</td>
<td>Practices related to customer satisfaction, including results of customer satisfaction surveys</td>
<td>●</td>
<td>RSD p. 38-39</td>
</tr>
<tr>
<td>PR7</td>
<td>Noncompliance with regulations and voluntary codes regarding marketing communication, including advertising, promotion and sponsorship</td>
<td>●</td>
<td>RSD p. 39</td>
</tr>
<tr>
<td>PR8</td>
<td>Noncompliance with the regulations and voluntary codes on buyer privacy protection</td>
<td>●</td>
<td>RSD p. 111</td>
</tr>
<tr>
<td>PR9</td>
<td>Monetary value of significant penalties for noncompliance with laws and regulations related to procurement and use of products and services</td>
<td>●</td>
<td>RSD p. 111</td>
</tr>
</tbody>
</table>

## Oil and Gas

<table>
<thead>
<tr>
<th>Profile</th>
<th>Description</th>
<th>Status</th>
<th>Page</th>
</tr>
</thead>
<tbody>
<tr>
<td>OG5</td>
<td>The quantity of generated layer dust (layer water) and manner of disposal</td>
<td>●</td>
<td>RSD p. 97</td>
</tr>
<tr>
<td>OG7</td>
<td>The quantity of drilling waste (mud and drill cuttings) and strategies for treatment and disposal</td>
<td>●</td>
<td>RSD p. 97-98</td>
</tr>
<tr>
<td>OG14</td>
<td>Biofuels</td>
<td>●</td>
<td>RSD p. 99-100</td>
</tr>
</tbody>
</table>

**Oil and Gas**

OG5 – The quantity of generated layer dust (layer water) and manner of disposal.

OG7 – The quantity of drilling waste (mud and drill cuttings) and strategies for treatment and disposal.

OG14 – Biofuels

**Society**

SO2 – In 2013, there were no proceedings initiated and no disputes were filed against NIS due to buyer data privacy breaches.

SO7 – In 2013, there were no proceedings against NIS due to disloyal competition, trusts or monopolies.

## Responsibility for Product

PR8 – In 2013, there were no legal procedures against NIS due to buyer data privacy breaches.

PR9 – In 2013, there were several NIS-related procedures before courts and other state authorities regarding the noncompliance with the laws and regulations referring to the sales of products and provision of services, but no fine has been imposed or paid.

**Complete**

**Not**

Report on Sustainable Development 2013

AR 2013 Annual Business Report

CGC Corporate Governance Code
<table>
<thead>
<tr>
<th><strong>Glossary</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>GDP</strong> – Gross Domestic Product</td>
</tr>
<tr>
<td><strong>GRI (Global Reporting Initiative)</strong> – The Global Reporting Initiative (GRI) is an international non-profit organization founded in 1997 in order to achieve the highest quality of corporate reporting on sustainable development. GRI standards are improved each year and since 2006 G3, a so-called third generation of reporting on sustainable development has been applied. G3 consists of the principles and indicators which define the frame for the content and quality of reports on sustainable development, as well as guidance for setting the limits in reporting. G3 principles can be used by small companies, big multinational companies, public sector, non-governmental and other organizations throughout the world.</td>
</tr>
<tr>
<td><strong>Stakeholders</strong> – all private individuals and legal entities interested in the business activities of the Company who have influence on the business results of the Company or are under its influence</td>
</tr>
<tr>
<td><strong>Directly Generated Value</strong> = income from sale + financial revenue + lease revenue + interest revenue + net result on the basis of the sale of capital assets</td>
</tr>
<tr>
<td><strong>Operating Costs</strong> = procurement cost of the sold goods + cost of material + other business expenses – various kinds of taxes.</td>
</tr>
<tr>
<td><strong>Remediation</strong> – a term generally used for cleaning and renewal-restoration (recultivation, revitalization, regeneration) of a polluted spot – area or otherwise damaged environments as a result of human activity.</td>
</tr>
<tr>
<td><strong>EBITDA</strong> – earnings before interest, taxes and depreciation and amortization.</td>
</tr>
<tr>
<td><strong>MHC/DHT</strong> – mild hydrocracking / hydrotreating unit</td>
</tr>
<tr>
<td><strong>NOx</strong> – nitrate oxide.</td>
</tr>
<tr>
<td><strong>SO2</strong> – sulphur (IV) oxide</td>
</tr>
<tr>
<td><strong>H2S</strong> – hydrogen sulfide</td>
</tr>
<tr>
<td><strong>Drilling mud</strong> – drilling fluid with multiple purpose in the wellbore during the drilling process of oil wells (bringing the drilled material to the surface, control the layer pressure, prevent inflow of layer fluids into the wellbore, prevent the fall of the bore wall).</td>
</tr>
<tr>
<td><strong>Drill Cuttings</strong> – particles of drilled rocks carried out by the drilling mud from the bottom of the well to the surface.</td>
</tr>
<tr>
<td><strong>Waste drilling mud</strong> – spent drilling mud during the well drilling process which is disposed in the primary mud pits near the well.</td>
</tr>
<tr>
<td><strong>FCC</strong> – Fluid catalytic craker.</td>
</tr>
<tr>
<td><strong>Injuries Rate (IR)</strong> = Total number of injuries / total number of work hours * 1000000</td>
</tr>
<tr>
<td><strong>Lost Days Rate (ODR)</strong> = Total number of lost days / total number of work hours * 1000</td>
</tr>
<tr>
<td><strong>Absence rate (LDR)</strong> = Sick leaves due to work-related injuries / Total number of work hours * 1000</td>
</tr>
<tr>
<td><strong>Association</strong> – voluntary and NG organization based on freedom of association of several private individuals or legal entities, founded with a view to achieving or improving certain mutual or common goals and interests, which is not prohibited under the Constitution or any law.</td>
</tr>
</tbody>
</table>
Limited Assurance Report on the Report on Sustainable Development

TO THE BOARD OF MANAGERS

NIS a.d. NOVI SAD

Scope and Responsibility

We have reviewed the Report on Sustainable Development for 2013 of the NIS a.d. Novi Sad (the “Company”), Management is responsible for the preparation of the Report on Sustainable Development in accordance with the G3.1 Global Reporting Initiative Guidelines (GRI) issued in 2006, as set out in the “About the report and principles of reporting” section. Management is also responsible for determining the Company’s objectives in respect of sustainable development performance and reporting, including the identification of stakeholders and material issues, and for establishing and maintaining appropriate performance management and internal control systems from which the reported performance information is derived. Our responsibility is to issue this report based on our review.

Performed Procedures

We carried out our work in accordance with the criteria established for review engagements by “International Standard on Assurance Engagements 3000 - Assurance Engagements other than Audits or Reviews of Historical Financial Information (ISAE 3000)”, issued by the International Auditing and Assurance Standards Board (IAASB). That Standard requires that we comply with applicable ethical requirements (the Code of Ethics for Professional Accountants issued by the International Federation of Accountants, IFAC), including independence requirements, and that we plan and perform the engagement to obtain limited assurance about whether the report is free from material misstatement. A limited assurance engagement on a sustainability report consists of making inquiries, primarily of persons responsible for the preparation of information presented in the sustainability report, and applying analytical and other evidence gathering procedures, as appropriate.

These procedures included:

- comparison of information and data presented in the “Economic Development” section of the Report on Sustainable Development to the corresponding information and data included in the Company’s consolidated financial statements as at and for the year ended 31 December 2013, on which auditor issued report dated 18 February 2014 in accordance with the Law on Accounting and Auditing of the Republic of Serbia;

- analysis of the functioning of key processes for generating, recording and managing quantitative data presented in the Report. In particular we performed the following procedures:
  - interviews and discussions with management of the Company to gather information on the IT, accounting and reporting systems used in preparing the sustainability report, and on the processes and internal control procedures used to gather, combine, process and transmit data and information to the office that prepares the Report;
  - sample based analysis of related documents used in preparing the Report serve the purpose of confirming process effectiveness, their adequacy with respect to described goals, as well as that the internal control system is properly managing and information included in the Report;
  - analysis of reconciliation of qualitative information included in the Report, with guidelines noted under Scope and Responsibility, as well as general consistency, especially in the sense of strategy and policy of sustainable development and assignment of material issues for each category of interested parties;
  - analysis of the process of involvement of interested parties in terms of methods used and completeness of participants, based on review of minutes from meetings or through all other available information on identified key factors;
  - receipt of presentation letters from the Company’s legal representative on compliance with guidelines set out under Scope and Responsibility, as well as reliability and completeness of information and data presented therein.

The extent of evidence gathering procedures performed in a limited assurance engagement is compliant with ISAE 3000 and provides a lower level of assurance in that we would potentially have identified significant issues and events in an audit.

The Report on Sustainable Development includes the corresponding information and data of the prior year report for comparative purposes, with respect to which reference should be made our report dated 1 July 2013.

Opinion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the Report on Sustainable Development for 2013 of the Company is not prepared, in all material respects, in accordance with the G3.1 GRI - Global Reporting Initiative issued in 2006, as set out in the “On the report and reporting principles” section.

As indicated by the directors in “On the report and reporting principles” section of the Report on Sustainable Development for 2013, the Company intends to continue to extend the reporting scope of the Report through further standardisation of the existing information and data gathering procedures.

Belgrade, 1 July 2014

James Thornley
Partner

This is a translation of the original Limited Assurance Report issued in the Serbian language. All due care has been taken to produce a translation that is as faithful as possible to the original. However, if any questions arise related to interpretation of the information contained in the translation, the Serbian version of the document shall prevail.

Belgrade, 1 July 2014

James Thornley
Partner
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